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INCOME FOR LIVING?

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NATIONAL COUNCIL OF WELFARE REPORTS

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INTRODUCTION

WHY THIS REPORT NOW?

The debate on how to measure poverty in Canada has been particularly intense for over a decade. The National Council of Welfare has been and continues to be involved in this debate. In 1998, the Council published *A New Poverty Line: Yes, No or Maybe?* which looked at different ways poverty could be measured in Canada, including the federal government's proposed new approach to measuring poverty, the Market Basket Measure.

In May 2003, Human Resources Development Canada released the details of the Market Basket Measure or MBM for 2000. When the Council took its first look at the details, we thought that the MBM was a promising tool that would likely add a valuable dimension to the poverty debate. The Council believes that a fair market basket measure could add a helpful perspective to assessing the adequacy of Canada's income support programs, particularly welfare. A major drawback to the MBM is the fact that we only have data for 2000. Without several years of information to look at, we cannot assess whether and how the new measure will help us to understand trends over time. It will take several years, therefore, before the Council will have a clearer picture of the MBM.

The release of a new poverty measurement led the Council to revisit the poverty line debate and what it means for low-income Canadians. This report looks at what the new MBM and the existing commonly-used poverty line, the low income cut-offs or LICO, tell us about the situation of low-income people in four provinces. We look at four types of low-income families in the largest city in each of Quebec, Ontario, Alberta and British Columbia and look at what their incomes would be if they were on welfare and if they had paid work. In doing our calculations, we looked at the effects on take-home pay of taxes and income support programs in each of the four provinces.

The Council has been following welfare rates for many years in our annual publication *Welfare Incomes*. We have become increasingly concerned with many provincial policies to push welfare recipients into the paid labour force. The release of the MBM has provided the Council with an opportunity to see if this measure can shed any light on the effectiveness of welfare-to-work incentives.

WHAT DO THE POVERTY LINES TELL US ABOUT LOW-INCOME PEOPLE?

LOW INCOME CUT-OFFS

The National Council of Welfare and most other social policy groups in Canada have long used the low income cut-offs or LICOs of Statistics Canada as the measure of poverty. The survey data and methodology used to generate the cut-offs are done by Statistics Canada, which is a federal government agency with an international reputation for high-quality work. The low income cut-offs are by far the most widely used measure of poverty in Canada. Despite this, Statistics Canada has consistently maintained that it does not regard the LICOs as poverty lines, presumably because the federal government does not want to give official recognition to poverty. The Council and most other social policy groups use the terms poor and low-income interchangeably.

Statistics produced using the LICO methodology are readily available to researchers inside and outside government year after year at a modest cost. Coincidentally or not, the income levels of the LICOs are in the mid-range of the alternative poverty lines that appear from time to time. The Council looks at a number of these poverty lines in our annual report *Poverty Profile*.

Very roughly speaking, the low income cut-offs or LICOs mark income levels where people have to spend disproportionate amounts of their incomes on food, shelter and clothing. For example, according to the LICO, a family is considered to be in straitened circumstances if it spends 20 percent more of its income on food, shelter, and clothing than the average family of similar size. The cut-offs are created for seven family sizes and five community sizes. We used 2000 LICOs in this report because 2000 is the only year for which we have information from the MBM.

The table below shows the LICOs for 2000 for the largest cities in each of the four provinces and four family types in our study. These are the LICOs that would be used for Montreal, Toronto, Calgary and Vancouver. A table of the complete set of LICOs is in Appendix E at the back of the report.

According to the table below a single person in a city larger than 500,000 people would need $15,172 to reach the LICO poverty line in 2000. A family of two in a city of the same size would need $18,513 to reach the poverty line. Finally, a family of four in a large city would need $29,163.

TABLE 1: STATISTICS CANADA'S LOW INCOME CUT-OFFS (1992 BASE) FOR 2000 AFTER-TAX

Family Size	Cities of 500,000 +
1 person (the single employable person or single disabled person)	$15,172
2 persons (the single parent with one child)	$18,513
4 persons (the couple with two children)	$29,163

MARKET BASKET MEASURE

In May 2003, Human Resources Development Canada (HRDC) released the report *Understanding the 2000 Low Income Statistics Based on the Market Basket Measure*. The MBM estimates the cost of a specific basket of goods and services for 2000 assuming that all items in the basket were entirely provided for out of the spending of the household. The goods and services in the basket are required for a minimum standard of living.

The basket on which the MBM is based includes five types of expenditures for a reference family. The reference family consists of two adults and two children. The expenditures calculated are food, clothing and footwear, shelter, transportation, and other goods and services. The transportation component includes public transit where it exists plus one round trip taxi ride a month for emergencies, or a used vehicle where there is no public transit. The other goods and services includes expenditures on personal care, household needs, furniture, basic telephone service, postage stamps, religious and charitable donations, school supplies and modest levels of reading material, recreation and entertainment.

The HRDC researchers who prepared the MBM included the work of other research organizations to determine the minimum standard of living in certain areas. For example, the transportation component of the MBM largely follows the recommendation of the National Council of Welfare in our 1998 report, *A New Poverty Line: Yes, No, or Maybe*? The Council recommended different basic costs of transportation in large urban areas than in smaller communities or rural Canada.

The clothing and footwear component of the MBM came from the Winnipeg Harvest and the Winnipeg Social Planning Council's Acceptable Level of Living (A.L.L.). The A.L.L. is a type of market basket that was created by low-income people. The objective of A.L.L. is to determine through low-income people an adequate disposable income level on a market basket of goods and services that can sustain a fair and acceptable living level. The A.L.L. is a particularly valuable tool in measuring poverty as it was done by and in consultation with people who live in poverty and understand it first hand.

The content of the food component of the MBM basket comes from the Health Canada publication, *National Nutritious Food Basket 1998.* The food component is not intended to be "an ideal diet," and neither is it the cheapest diet which meets nutritional requirements. It represents a nutritious diet which is consistent with the food purchases of ordinary Canadian households.

The Council believes that MBM reflects a reasoned and reasonable definition of a minimum standard of living with acceptable living standards based on acceptable methods. The MBM is by no means a perfect measure, but in the Council's opinion, it is a fair measure of basic needs.

The components of the basket are not to everyone's liking. There are neoconservative groups that believe that the cost of the basket is far too high. For these groups, there are different definitions of a minimum standard of living. For example, Christopher Sarlo of Nipissing University in North Bay, Ontario developed poverty lines for all provinces and all major cities with the support of the Fraser Institute, a neoconservative think tank based in Vancouver[1]. According to his poverty lines, a minimum standard of living refers to items needed strictly to stay alive. For example, the Sarlo basket contains no coffee or tea or children's books and toys. There are no health care items in the basket on the grounds that poor people should be able to get charity dental services from dentists in the community and they should be able to pick up free eyeglasses from the local Lions Club.

The Council views the poverty lines developed by Sarlo as a mean-spirited view of life that regards people as poor only if they can be shown to be visibly and strikingly different from the rest of society.

On the other hand, some anti-poverty groups believe that the cost of the MBM is too low. For example, the National Anti Poverty Organization or NAPO spoke about the MBM at the House of Commons Committee on Human Resources and Development in 2003. NAPO pointed out that the MBM does not include transportation costs for the children, as there are only two adult bus passes. NAPO also criticised the MBM because it believed some of the prices of clothing components such as shoes are unrealistically low, for example, $12 for a pair of running shoes. NAPO also pointed out that no matter how poverty is measured, it will not change the situation of poor people in Canada.

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[1] Sarlo, Christopher A. *Poverty in Canada.* The Fraser Institute. First published 1992. Second edition published 1996.

Other critics object to the fact that the MBM measures absolute poverty, that is, the absolute minimum items it would take for a person or a family to survive. These critics believe no market basket measure can illuminate the problems of how our society shares its wealth. The National Council of Welfare believes that each poverty measurement lends something to the poverty debate. Absolute measures such as the MBM, relative measures such as the low-income measure or LIM, and measures such as the LICO all add dimensions to understanding poverty.

Critics also point out that updating the basket will be extremely difficult. As society changes and people need different items, the items that go into the basket must change, too. Depending on how the MBM is updated, the measure could become inconsistent over time, and could cease to reflect the realities of the basic costs of living. The MBM has only been released for one year, and the federal government department responsible for the MBM has not specified how it will update the measure.

No method of updating the report can be perfect and all updates risk being unfair and unrealistic. The National Council of Welfare believes that the MBM should be updated in consultation with low-income people, with representatives of the organizations that work in communities and with researchers. The Council believes that updates must be conducted in as open and objective a manner as possible based on real changes in society and the changes in the market, and without the interference of the political interests of federal, provincial or territorial governments and politicians.

The MBM is calculated for 19 specific communities and 29 community sizes in the 10 provinces. The MBM is calculated for a reference family of one male and one female adult aged 25 to 49 with two children, a girl aged nine and a boy aged 13. The MBM for other household types must be calculated using the Low Income Measure or LIM equivalence scale. The Low Income Measure is another common poverty measurement that is equal to one-half median income adjusted for family size, but there is only one set of LIMs for all of Canada.

The table below shows the MBM threshold for the reference family of two adults and two children in the largest cities in the four provinces in this study: Montreal, Toronto, Calgary and Vancouver. The complete list of MBMs by geography is in Appendix D at the back of the report.

TABLE 2: MARKET BASKET MEASURE THRESHOLDS FOR TWO ADULTS AND TWO CHILDREN, 2000						
	Food	Clothing & Footwear	Shelter	Transportation	Other	**Total**
Montreal	$6,017	$2,269	$7,129	$1,320	$5,706	**$22,441**
Toronto	$5,778	$2,292	$11,399	$2,316	$5,558	**$27,343**
Calgary	$6,183	$2,156	$8,707	$1,392	$5,743	**$24,180**
Vancouver	$6,697	$2,292	$11,020	$1,592	$6,190	**$27,791**

According to the table above, a couple with two children in Montreal needed $22,441 to reach the 2000 MBM threshold. In Toronto, the same family of four needed $27,343. In Calgary, that family needed $24,180 and in Vancouver, $27,791 to reach the threshold.

WHAT ARE LOW INCOME AND POVERTY?

Every year, the National Council of Welfare calculates welfare incomes in every province and territory and we publish the results in our regular report, *Welfare Incomes*. At no time have we ever seen welfare incomes even approach the poverty line, whether the poverty line is the LICO or the new Market Basket Measure.

Another group of people who are often poor are those who are employed, but have jobs at low wages. In this report, we look at workers with minimum-wage jobs and workers with low-wage jobs. Over the last decade, all levels of government have made numerous policy changes aimed at encouraging people on welfare to move into the work force, even into poorly paid work. The Council decided to look at how these incentives have affected the actual income of the so-called working poor using both the LICO and the MBM.

For the purpose of comparison, we also decided to look at how the same family types rank according to the two poverty lines when the adult earners in the families had average earnings.

The welfare amounts were taken from our regular publication *Welfare Incomes*. A detailed methodology of this calculation can be found in that report. We calculated wages based on full-time work from January 1, 2000 to the end of the year. Minimum-wage earnings are based on the provincial minimum wage including any increases during the year. The low-wage was calculated at ten dollars an hour which was approximately two thirds of the median hourly wage of all full-time employees in 2000. Average wages are based on data from Statistics Canada that the Council uses in our annual *Poverty Profile*.

HOW DID WE DO IT?

This section gives an overview of the way we calculated take-home incomes and expenses. The detailed methodology can be found in the methodology section at the end of the paper.

This report looks at what the new MBM and LICO tell us about the situation of low-income Canadians. To do this we looked at the situation of low-income Canadians using British Columbia, Alberta, Ontario and Quebec as examples of how public programs affect the incomes of poor people. These four provinces each have significantly different approaches to welfare, taxes and other provincial programs such as minimum wages and family benefits. The four provinces represent a significant proportion of the Canadian population, approximately 85 percent.

This project looks at the incomes for the four family types in our regular publication *Welfare Incomes*. The four family types are a single employable person; a single person with a disability; a single parent with one child two years old; and a couple with two children ages 10 and 15.

We looked at four different types of income: welfare, minimum wage, low wage and average wage. The take-home pay was calculated for each family type and each income. The Council calculated only the actual "take-home" amount welfare recipients receive in each province or territory, so this paper shows the "take-home" amounts in each of the following sections of the paper.

The take-home pay took into account all standard pay benefits and deductions. For example, all workers in Canada must contribute to the Canada or Quebec Pension Plan (CPP/QPP) and Employment Insurance (EI). These amounts were deducted from our workers' earnings. The Council also calculated federal and provincial income taxes and deducted them from our workers' wages.

Many low-income and modest-income Canadians are eligible for federal and provincial benefit programs. For the purposes of this project we calculated the amount the families received from programs that provide benefits automatically based on an individual's income tax return. Programs for which a family or individual have to apply separately are not included.

The federal benefit programs included are the Canada Child Tax Benefit (CCTB), National Child Benefit Supplement (NCBS) and the Goods and Services Tax (GST) credit. The provincial benefits programs included for Quebec are the Quebec Sales Tax Credit (QST), the Real Estate Tax Refund, the Family Allowance, the Shelter Allowance, Parental Wage Assistance and five-dollar-a-day childcare. The provincial benefits program included for Ontario is the Ontario Child Care Supplement for Working Families. The Alberta provincial benefits program we included is the Alberta Family Employment Tax Credit. For British Columbia, we included the BC Benefits, including the BC Family Bonus and the BC Earned Income Benefit. Detailed information about all of these programs is located in Appendix B at the back of this report.

After we determined take-home pay, the Council compared that number to the two poverty lines. We also determined how much take-home pay each family type required for rent and, in the case of the single parent, for child care as well. We determined the cost of child care in Ontario, Alberta and British Columbia by using the University of Toronto's Childcare Resource and Research Unit report *Early Childhood Education and Care in Canada 2001*. We calculated the child-care amount in Quebec differently due to that province's unique five-dollar-a-day policy. Although not every family in Quebec has access to five-dollar-a-day child care, it is the type of care used by the majority of families.

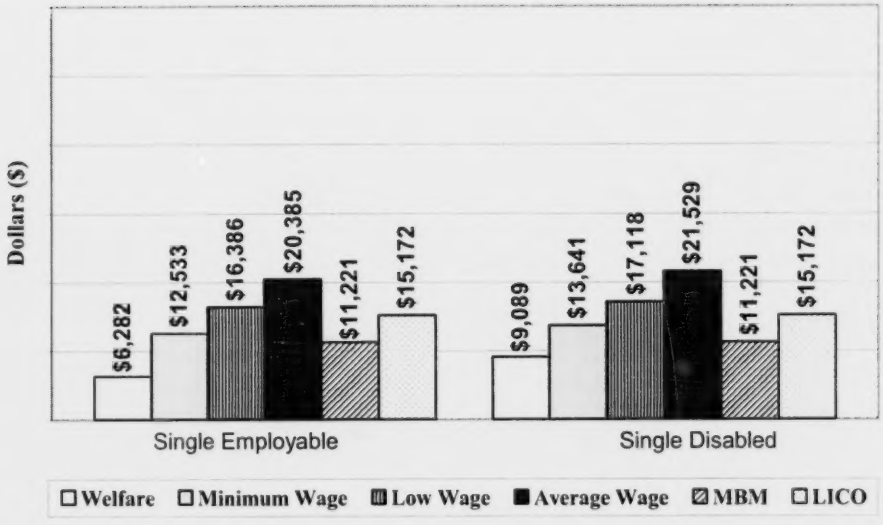
The rents were taken from Canada Mortgage and Housing Corporation's (CMHC) *Rental Market Report* for October 2000 and October 2001 for these four cities. For the purposes of this project, we assumed that the single employable and disabled employable workers lived in one-bedroom apartments. We assumed the single parent with one child lived in a two-bedroom apartment and the couple with two children lived in a three-bedroom apartment. The average rental amounts are provided in the table below.

TABLE 3: AVERAGE RENTAL RATES, 2000

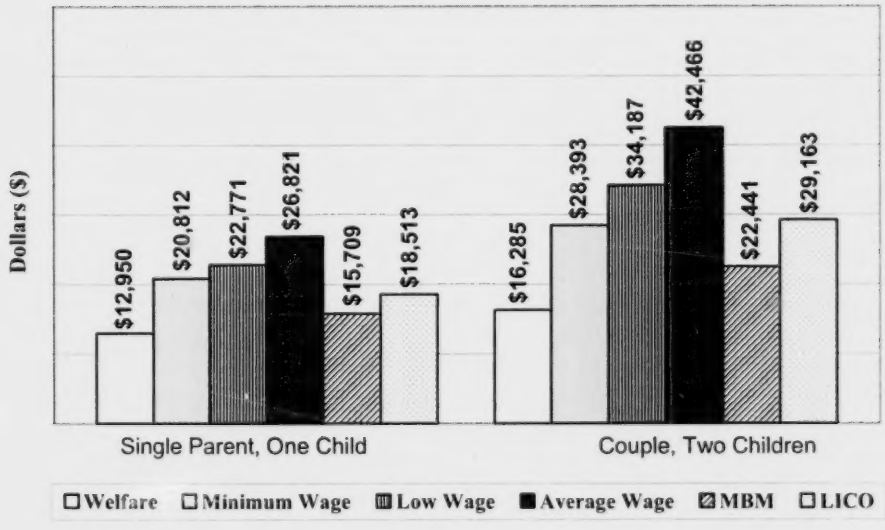
City	One Bedroom	Two Bedrooms	Three Bedrooms +
Montreal	$458	$509	$630
Toronto	$830	$979	$1,165
Calgary	$611	$740	$713
Vancouver	$695	$891	$1,022

WHAT DOES IT MEAN FOR QUEBEC?

Quebec
Take-Home Pay, Single People, 2000



Quebec
Take-Home Pay, Families with Children, 2000



WELFARE

The Council calculates total welfare incomes across the country for four sample situations. These are published in our regular report, *Welfare Incomes*. These calculations include all the benefits a person or family would receive if they started on welfare January 1st and had no earned income all year. The calculations in this section assume that each family type lives in Quebec's largest city: Montreal. This report shows welfare incomes for 2000 only since the market basket measure is for 2000.

QUEBEC, TOTAL WELFARE INCOME, 2000	
Single Employable	$6,282
Single Disabled	$9,089
Single Parent, One Child	$12,950
Couple, Two Children	$16,285

The welfare rates for the four family types are provided in the table above. In 2000, a single employable person in Quebec on welfare received $6,282. A single disabled person received a slightly higher income of $9,089. A single parent with one child two years old received $12,950. A couple with two children ages 10 and 15 years received $16,285.

QUEBEC, WELFARE INCOME PERCENTAGE OF POVERTY LINES, 2000					
	Take-Home Pay	MBM	% of MBM	LICO	% of LICO
Single Employable	$6,282	$11,221	56%	$15,172	41%
Single Disabled	$9,089	$11,221	81%	$15,172	60%
Single Parent, One Child	$12,950	$15,709	82%	$18,513	70%
Couple, Two Children	$16,285	$22,441	73%	$29,163	56%

The table on the bottom of the previous page provides the percentage of the poverty line earned by each family type. None of the family types had an income that reached either poverty line, but the situation was far worse for some than for others. The single employable person received only 56 percent of the MBM and 41 percent of the LICO. The single disabled worker received far more adequate support, yet worth just 81 percent of the MBM and only 60 percent of the LICO. The single parent with one child received 82 percent of the MBM and 70 percent of the LICO. The couple with two children received 73 percent of the MBM and only 56 percent of the LICO.

Such inadequate welfare payments resulted in a significant portion of income spent on rent for each family type, even though rental rates in Montreal are some of the lowest in Canada. The average monthly rents for 2000 were $458 for a one-bedroom apartment, $509 for two bedrooms and $630 for a three-bedroom apartment.

The single employable person living in an average one-bedroom apartment needed 87 percent of his or her income from welfare for rent. The single disabled person also in a one-bedroom apartment spent 60 percent of income on rent and the single parent with one child living in a two-bedroom apartment spent 47 percent of income on rent. The couple with two children living in an average three-bedroom apartment needed almost the same amount: 46 percent of the family income was spent on rent.

Many community organizations and researchers use a rough guideline of up to 30 percent of a family's income as the measure of whether housing is affordable. The federal government agency that deals with housing is Canada Mortgage and Housing Corporation or CMHC. CMHC recommends that monthly housing costs should be no more than 32 percent of gross monthly income.

For the purpose of this paper, the Council has used 30 percent of take-home income as the marker of affordable housing. We noticed that minimum and low-wage workers sometimes had take-home incomes higher or lower than actual wages. Comparing rent to these take-home incomes, therefore, gives us a more accurate picture of what renters actually have in their pockets after they pay rent.

Each family type on welfare in Montreal spent significantly more than the recommended 30 percent, and in the case of the single employable person, spent almost three times as much.

MINIMUM WAGE

QUEBEC, MINIMUM WAGE INCOME, 2000			
	Gross Pay	Take-Home Pay	% Difference
Single Employable	$14,352	$12,533	-12.7%
Single Disabled	$14,352	$13,641	-5.0%
Single Parent, One Child	$14,352	$20,812	45.0%
Couple, Two Children	$28,704	$28,393	-1.1%

The minimum wage in Quebec throughout 2000 was $6.90 an hour. The gross incomes are provided in the second column in the above table. A person who worked full-time, that is, 40 hours a week for 50 weeks a year, earned just $14,352. This is the gross pay of the single employable person, the single disabled person and the single parent with one child two years old. A couple with two children ages 10 and 15 years would have earned $28,704 since the family had two full-time workers. All of these wages included a mandatory four percent vacation pay.

In the same table above, the second column from the right shows take-home pay. A single employable person had $12,533 of take-home pay, with deductions of 12.7 percent of the wages, or about $2,000 less than actual earnings. A single disabled person had slightly more take-home pay with $13,641, losing five percent to deductions. Despite having the same wages, individuals who are disabled can pay lower income taxes, thereby giving them a slightly higher disposable income. A single parent with one child had a significantly larger take-home pay of $20,812, 45 percent *more* than the wages due to a number of benefits and tax credits for parents. A couple with two children had a take-home pay of $28,393, just 1.1 percent less than the parents' wages.

Take-home income was different from the gross wage income because of deductions and benefits. Contributions to the Quebec Pension Plan (QPP) and Employment Insurance (EI) were deducted from each worker. We also deducted federal and provincial income taxes. Each family earning a minimum wage owed income taxes with the exception of the single parent with one child. This is because after claiming child care costs the single parent had a net income too low to pay income taxes. Quebec's provincial tax system also provides single parents with generous tax credits.

In addition, we calculated the various federal and provincial benefits received by each family type. The single employable person and the single disabled person each received a Goods and Services Tax (GST) and Quebec Sales Tax (QST) credit. The single parent with one child received the GST and QST credit, the Canada Child Tax Benefit and Supplement, the Quebec Family Allowance, the Parental Wage Assistance Program and assistance from the Shelter Allowance Program. The couple with two children received the GST and QST credit, Canada Child Tax Benefit and Supplement and Quebec Family Allowance.

There is a very large difference between the take-home income for the single employable person and the single parent with one child. A single parent, despite having the same wage as the single employable person, had almost $10,000 more disposable income. This is due largely to generous provincial programs and benefits available to families with children in Quebec. Quebec provides a large amount of financial aid to low-income families and in particular low-income single-parent families.

Perhaps the most significant program offered by the Quebec government is the five-dollar-a-day child care. For the minimum-wage single parent, this meant that child care only took approximately six percent of the family's income. The cost of child care was further reduced for this parent with benefits from the Parental Wage Assistance Program. Accessible and affordable child care makes entry to the work force for parents on welfare a far more realistic and viable prospect. Single parents could afford safe and reliable child care while they built labour force attachment. In addition, a single parent would have had enough disposable income remaining for other household expenses.

QUEBEC, MINIMUM WAGE INCOME PERCENTAGE OF POVERTY LINES, 2000					
	Take-Home Pay	MBM	% of MBM	LICO	% of LICO
Single Employable	$12,533	$11,221	112%	$15,172	83%
Single Disabled	$13,641	$11,221	122%	$15,172	90%
Single Parent, One Child	$20,812	$15,709	132%	$18,513	112%
Couple, Two Children	$28,393	$22,441	127%	$29,163	97%

As the table above demonstrates, the single employable person working full time at minimum wage earned just 112 percent of the MBM and only 83 percent of the LICO. The single disabled person earned 122 percent of the MBM and 90 percent of the LICO. The single parent with one child was the only family type to earn above both poverty lines. This parent earned 132 percent of the MBM and 112 percent of the LICO. The couple with two children earned 127 percent of the MBM and 97 percent of the LICO.

In the cases where the family types earned more than the poverty line, the difference was small. People with incomes 125 percent of the poverty line are considered to be the "near poor" because – though they are out of poverty – their incomes are still very low. As a group, they are at very high risk of facing severe hardship if any crisis affects them. A reduction of hours at work, a sick child, a problem with the family car, and even a short illness can easily send the near poor into poverty.

The portion of income that each family type had to spend on average-priced rental accommodation was more reasonable for minimum-wage workers than it was for welfare recipients. The Council made the calculations based on take-home incomes. The single and disabled earners spent 44 percent and 40 percent respectively of their take-home income on shelter. The single parent with one child spent approximately 29 percent of income on rent. The couple with two children spent approximately 27 percent of its income on rent. The single employable person and the single disabled person were the only two family types to spend more than the recommended 30 percent of income on rent.

LOW WAGE

QUEBEC, LOW-WAGE INCOME, 2000			
	Gross Pay	Take-Home Pay	% Difference
Single Employable	$20,800	$16,386	-21.2%
Single Disabled	$20,800	$17,118	-17.7%
Single Parent, One Child	$20,800	$22,771	9.5%
Couple, Two Children	$41,600	$34,187	-17.8%

The gross pay for the low-wage or $10-an-hour worker in 2000 was significantly higher than minimum wage. The gross incomes are provided in the second column of the above table. A single person who worked full-time for 40 hours a week for 50 weeks a year earned $20,800. This is the gross pay of the single employable person, the single disabled person and single parent with one child two years old. A couple with two children ages 10 and 15 years earned $41,600. All of these wages included a mandatory four percent vacation pay.

The second column from the right shows take-home pay. The single employable person had a take-home pay of $16,386. Due to differences in the income tax system, the single disabled worker had a slightly higher take-home pay of $17,118. The single parent with one child earned $22,771. The couple with two children had a take-home pay of $34,187. For the single employable, single disabled and two-parent examples, take-home pay was about 20 percent lower than earnings. For the single parent, however, take-home pay was 9.5 percent higher than earnings.

The take-home income was different from the gross wage income because of deductions and benefits. QPP and EI contributions were deducted from each worker. We also deducted the amount each worker paid in federal and provincial income taxes. Each family type paid federal and provincial income tax.

The single employable worker and the single disabled worker both received GST and QST credits. The single parent with one child received GST and QST credits, the Canada Child Tax Benefit and Supplement and the Quebec Family Allowance. The couple with two children received GST and QST credits, the Canada Child Tax Benefit and Supplement and the Quebec Family Allowance.

QUEBEC, LOW-WAGE INCOME PERCENTAGE OF POVERTY LINES, 2000					
	Take-Home Pay	MBM	% of MBM	LICO	% of LICO
Single Employable	$16,386	$11,221	146%	$15,172	108%
Single Disabled	$17,118	$11,221	153%	$15,172	113%
Single Parent, One Child	$22,771	$15,709	145%	$18,513	123%
Couple, Two Children	$34,187	$22,441	152%	$29,163	117%

The above table gives the percentage of the poverty line earned by each family type. In all cases, low-wage workers earned more than either poverty line. However, every family type earned less than 125 percent of the LICO putting all these workers and their families in the "near poor" category under LICO. Using the MBM, these workers and their families were slightly out of the "near poor" category, but still living very modestly.

The single employable worker earned 146 percent of the MBM and 108 percent of the LICO. The single disabled worker earned 153 percent of the MBM and 113 percent of the LICO. The single parent with one child earned 145 percent of the MBM and 123 percent of the LICO. The couple with two children earned 152 percent of MBM and 117 percent of the MBM.

Three of the four family types in the low-wage category spent close to the recommended 30 percent of their income on shelter. Using the take-home income amounts and the same rents as we did for the other income types, we found that the single and disabled earners each spent approximately 33 percent of their income on rent. The single parent with one child spent approximately 27 percent of income on rent. The couple with two children spent 22 percent of its income on rent.

In Quebec the single parent earning minimum wage had a similar take-home income to that of the single parent with a low-wage income due mostly to the large amount of provincial benefits received by the minimum-wage worker. The minimum-wage single parent of one earned a take-home income of $20,812 while the low-wage single parent took home $22,771. These benefits decreased drastically with a slight wage increase. For example, a single parent with a minimum-wage income received $1,675 from the Quebec Family Allowance. The same parent but with a low-wage income received only $110. The minimum-wage parent also received benefits from the Shelter Allowance Program and the Parental Wage Assistance Program while the low-wage parent did not.

AVERAGE WAGE

QUEBEC, AVERAGE WAGE INCOME, 2000			
	Gross Pay	Take-Home Pay	% Difference
Single Employable	$28,865	$20,385	-29.4%
Single Disabled	$28,865	$21,529	-25.4%
Single Parent, One Child	$28,519	$26,821	-6.0%
Couple, Two Children	$60,532	$42,466	-29.8%

The average wages for workers in Quebec for 2000 are in the second column in the above table. These are averages based on data from Statistics Canada's Survey of Labour and Income Dynamics. For the single employable person and the single disabled person, we used average incomes for unattached people under 65. For the single parent, we used the average income of single parents under 65 with children under 18. For the two-parent family, we used the average incomes of couples under 65 with children under 18.

While unattached single people earned $28,865 on average, single parents earned slightly less at $28,519. We cannot be sure of the reason for the difference in incomes for single individuals with and without children. However, it is likely due to workforce attachment and availability for employment. The average wages in 2000 for Quebec couples with children were $60,532.

The middle column shows take-home pay. The take-home pay for the average wage single employable person was $20,385. The single disabled person had a slightly higher take-home pay of $21,529. The single parent had an even higher take-home pay of $26,821. The couple with two children had a take-home pay of $42,466. For the single employable person and the couple with two children this was about 30 percent lower than earnings. The single disabled worker was deducted 25 percent of earnings. The single parent with one child was deducted only six percent of earnings.

The Council calculated this amount using the average wages for each family type less deductions. Each family type paid QPP and EI benefits, and federal and provincial income taxes. The single employable person and the single disabled person received GST and QST credits. The single parent with one child received GST and QST refunds, Canada Child Tax Benefit and Supplement, and Quebec Family Allowance. The couple with two children received just the Canada Child Tax Benefit.

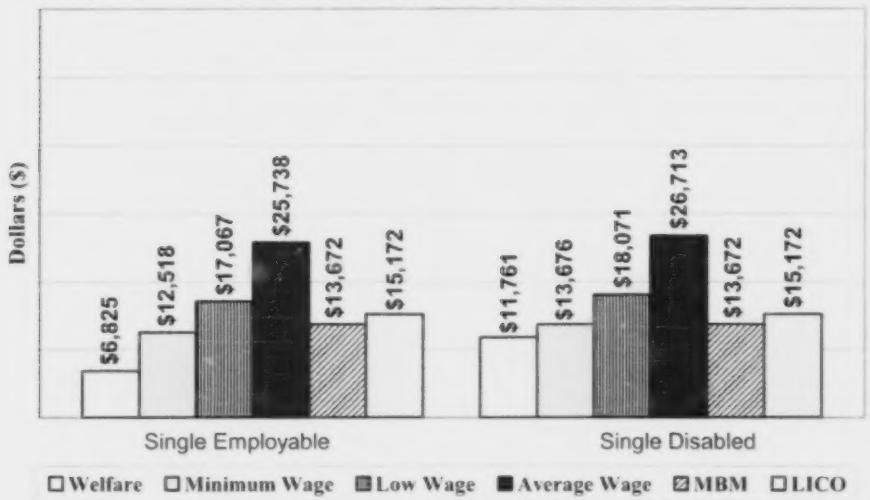
QUEBEC, AVERAGE WAGE INCOME PERCENTAGE OF POVERTY LINES, 2000					
	Take-Home Pay	MBM	% of MBM	LICO	% of LICO
Single Employable	$20,385	$11,221	182%	$15,172	134%
Single Disabled	$21,529	$11,221	192%	$15,172	142%
Single Parent, One Child	$26,821	$15,709	171%	$18,513	145%
Couple, Two Children	$42,466	$22,441	189%	$29,163	146%

As the above table demonstrates every average-wage family type earned well above both poverty lines. The single employable person earned 182 percent of the MBM and 134 percent of the LICO. The single disabled person earned 192 percent of the MBM and 142 percent of the LICO. The single parent with one child earned 171 percent of the MBM and 145 percent of the LICO. The couple with two children earned 189 percent of the MBM and 146 percent of the LICO.

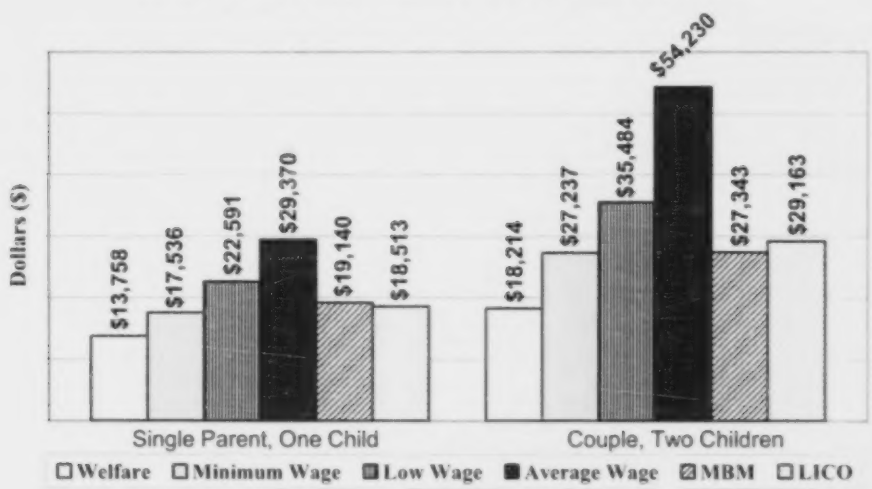
Each family type spent well below the recommended 30 percent of their income on average shelter costs. The single employable and single disabled person each spent approximately 25 percent of income on rent. The single parent with one child spent almost 23 percent. The couple with two children paid the smallest amount with approximately 18 percent of their income on rent.

WHAT DOES IT MEAN FOR ONTARIO?

Ontario
Take-Home Pay, Single People, 2000



Ontario
Take-Home Pay, Families with Children, 2000



WELFARE

ONTARIO, TOTAL WELFARE INCOME, 2000	
Single Employable	$6,825
Single Disabled	$11,761
Single Parent, One Child	$13,758
Couple, Two Children	$18,214

The welfare rates for the four family types are provided in the table above. The calculations assume that each family type lives in Ontario's largest city, Toronto. In 2000, a single employable person in Ontario on welfare received $6,825. A single disabled person received a much higher amount of $11,761. A single parent with one child two years old received $13,758. A couple with two children ages 10 and 15 years received $18,214.

ONTARIO, WELFARE INCOME PERCENTAGE OF POVERTY LINES, 2000					
	Take-Home Pay	MBM	% of MBM	LICO	% of LICO
Single Employable	$6,825	$13,672	50%	$15,172	45%
Single Disabled	$11,761	$13,672	86%	$15,172	78%
Single Parent, One Child	$13,758	$19,140	72%	$18,513	74%
Couple, Two Children	$18,214	$27,343	67%	$29,163	62%

The table above gives the percentage of the poverty line received by each family type. Not one of the family types even approached either poverty line with these incomes. The worst situation of all was that of single employable people. In Ontario – just as we saw in the last chapter with welfare recipients in Quebec – single employable people have by far the least adequate incomes, no matter which poverty line we look at. The single employable person

received just 50 percent of the MBM and 45 percent of the LICO. The single disabled person came much closer to the poverty lines receiving 86 percent of the MBM and 78 percent of LICO. Welfare for a single parent with one child brought the family to 72 percent of the MBM and 74 percent of LICO. The couple with two children received 67 percent of the MBM and just 62 percent of LICO.

Rents in Toronto are some of the highest in the country. The average monthly rents in Toronto for 2000 were $830 per month for a one-bedroom apartment, $979 per month for a two-bedroom apartment and $1,165 per month for a three-bedroom apartment. The high rates made rent payments for an average apartment a near impossibility for many people on welfare.

A single person living in a one-bedroom apartment needed $9,960 to pay the rent for one year. A single person considered employable by welfare officials had only $6,825, making it impossible to rent an average one bedroom apartment. The single disabled person on welfare in a one-bedroom apartment spent 85 percent of the income on rent. The single parent with one child living on welfare and in a two-bedroom apartment also spent nearly 85 percent of income on rent. The couple with two children living in a three-bedroom apartment spent the least, but still used nearly 77 percent of the family's income for rent.

Each family type with a welfare income spent significantly more than 30 percent of their income on housing. Single employable people simply could not afford an apartment on their own. Affording shelter for these families undoubtedly meant cutting out other important expenses such as food, clothing and medical expenses.

MINIMUM WAGE

ONTARIO, MINIMUM WAGE INCOME, 2000			
	Gross Pay	Take-Home Pay	% Difference
Single Employable	$14,248	$12,518	-12.1%
Single Disabled	$14,248	$13,676	-4.0%
Single Parent, One Child	$14,248	$17,536	23.1%
Couple, Two Children	$28,496	$27,237	-4.4%

The minimum wage rate in Ontario stagnated at $6.85 an hour until it was finally raised to $7.15 an hour in February 2004. The gross incomes for minimum wage workers are provided in the second column of the table above. A single person who worked full-time, that is, 40 hours a week for 50 weeks a year, earned just $14,248. This is the gross pay of the single employable person, single disabled person and single parent with one child two years old. A couple with two children ages 10 and 15 years earned $28,496. All of these wages included a mandatory four percent vacation pay.

In the same table above the second column from the right shows take-home pay. A single employable person earned $12,518 in take-home pay, with deductions of 12.1 percent of wages, or nearly $2,000 less than actual earnings. A single person with a disability had $13,676 in take-home pay, losing 4 percent of wage to deductions. Despite starting with the same wages, individuals who are disabled can pay lower income taxes, thereby giving them a slightly higher disposable income. A single parent with one child took home $17,536, which was 23.1 percent more than wages due to tax credits and benefits for parents. A couple with two children took home $27,237, just 4.4 percent less than the parents' wages.

Take-home income was different from the gross income because of deductions and benefits. Each worker contributed to the Canadian Pension Plan (CPP) and Employment Insurance (EI). Each family paid federal and provincial income taxes with the exception of the single parent. This was because after claiming child care costs, this parent had a net income too low to pay income taxes. Every family type received a GST credit. The single parent with one child and the couple with two children each received the Canada Child Tax Benefit and Supplement. The single parent also received the Ontario Child Care Supplement for Working Families.

ONTARIO, MINIMUM WAGE INCOME PERCENTAGE OF POVERTY LINES, 2000					
	Take-Home Pay	MBM	% of MBM	LICO	% of LICO
Single Employable	$12,518	$13,672	92%	$15,172	83%
Single Disabled	$13,676	$13,672	100%	$15,172	90%
Single Parent, One Child	$17,536	$19,140	92%	$18,513	95%
Couple, Two Children	$27,237	$27,343	100%	$29,163	93%

In most cases, the take-home pay of minimum-wage workers was simply not enough to bring them over either poverty line. The table above shows that the single employable person earned just 92 percent of the MBM and 83 percent of the LICO. The single disabled person reached the MBM poverty line and 90 percent of LICO. The single parent with one child earned 92 percent of the MBM and 95 percent of LICO. The couple with two children reached the MBM and 93 percent of LICO. In every case, each family type was poor even though all the adults worked full time all year.

High rental rates in Toronto made the cost of living stressful even for individuals working year round. The percentage of income spent on rent is based on take-home income. The single employable person and the single disabled person would have spent 80 percent and 73 percent respectively of income on rent to live in an average one-bedroom apartment. The single parent with one child paid a little less with 67 percent of income going to rent. The couple with two children paid the lowest percentage but still spent just over 50 percent of their income on rent.

Three of the family types spent two times the recommended 30 percent of their income on rent. The financial situation for the single parent was much more difficult as their child care fees represented almost 42 percent of take-home income. This parent simply could not afford both child care and rent on a minimum-wage salary. This situation undermines the financial incentives parents to enter the workforce at minimum wage.

For a single disabled person who wanted to move from welfare into the workforce at minimum wage, the financial incentive is very low. A disabled individual on welfare received $11,761. Working full time at minimum wage would provide this individual with only an extra $1,914 a year. In many cases, by leaving welfare for a minimum-wage job, a person would also lose medical and other benefits.

LOW WAGE

ONTARIO, LOW-WAGE INCOME, 2000			
	Gross Pay	Take-Home Pay	% Difference
Single Employable	$20,800	$17,067	-17.9%
Single Disabled	$20,800	$18,071	-13.1%
Single Parent, One Child	$20,800	$22,591	8.6%
Couple, Two Children	$41,600	$35,484	-14.7%

The gross wage incomes for the low-wage or $10-an-hour worker are provided in the second column of the table above. At a wage of $10 an hour, each of the single family types working full-time earned $20,800. The couple with two children earned twice this amount with $41,600.

The single employable person had a take-home pay of $17,067. Due to the income tax system, the single disabled person had a slightly higher take-home pay of $18,071. The single parent with one child two years old had a take-home pay of $22,591. The couple with two children ages 10 and 15 had the highest take-home pay at $35,484. For the single employable, single disabled and two-parent examples, take-home pay was about 15 percent lower than earnings. For the single parent, however, take-home pay was 8.6 percent higher than earnings.

The take-home pay was different from gross pay because of deductions and benefits. All workers made contributions to CPP and EI. Each family type paid federal and provincial income tax. Every family type qualified for a GST credit. The single parent with one child received the Canada Child Tax Benefit and Supplement and the Ontario Child Care Supplement for Working Families. The couple with two children also received the Canada Child Tax Benefit but did not qualify for the Supplement.

ONTARIO, LOW-WAGE INCOME PERCENTAGE OF POVERTY LINES, 2000					
	Take-Home Pay	MBM	% of MBM	LICO	% of LICO
Single Employable	$17,067	$13,672	125%	$15,172	112%
Single Disabled	$18,071	$13,672	132%	$15,172	119%
Single Parent, One Child	$22,591	$19,140	118%	$18,513	122%
Couple, Two Children	$35,484	$27,343	130%	$29,163	122%

The table above provides the percentage of the poverty line earned by each family type. In every case we looked at, low-wage jobs with full-time hours put all workers and their families above both poverty lines. In most cases, though, low-wage workers and their families still lived in straitened situations. The single employable person, for example, lived in "near poverty" at 125 percent of the MBM and 112 percent of the LICO. The single disabled person earned 132 percent of the MBM, but fell into the category of "near poverty" at just 119 percent of the LICO. The single parent with one child lived in near poverty under both measures: 118 percent of the MBM and 122 percent of the LICO. The couple with two children earned 130 percent of the MBM but was in near poverty at just 122 percent of the LICO.

All four family types spent more than the recommended 30 percent of their income on rent if they lived in average-priced rental accommodation. Using take-home income amounts and the same rents, we found that the single employable person spent close to 60 percent of take-home income on rent while the single disabled person spent nearly 55 percent. The single parent with one child spent slightly less with 52 percent of take-home income on rent. The couple with two children spent the smallest amount, with almost 40 percent of the family's take-home income going towards rent.

Child care expenses accounted for almost 33 percent of the single parent's take-home income. This means that rent and child care accounted for nearly 85 percent of this family's income. A single parent with one child could pay for both rent and child care on this salary, however, but the family would have merely 15 percent of the family income or almost $3,400 for other expenses such as food, clothing, transportation and household expenses. According to the MBM, this household needed $11,160 to cover the costs of these basics. The question these families are forced to ask themselves is which of the carefully-calculated necessities of life in MBM do they have to do without?

AVERAGE WAGE

ONTARIO, AVERAGE WAGE INCOME, 2000			
	Gross Pay	Take-Home Pay	% Difference
Single Employable	$35,027	$25,738	-26.5%
Single Disabled	$35,027	$26,713	-23.7%
Single Parent, One Child	$33,573	$29,370	-12.5%
Couple, Two Children	$74,645	$54,230	-27.3%

The average wages are in the second column in the above table. These are averages based on data from Statistics Canada's Survey of Labour and Income Dynamics. For the single employable person and the single disabled person, we used average incomes for unattached people under 65. For the single parent, we used the average income of single parents under 65 with children under 18. For the two-parent family, we used the average incomes of couples under 65 with children under 18.

The average wages in Ontario for 2000 were the highest in the four provinces in this study. Single people under 65 in Ontario earned on average $35,027. Single parents had a smaller average gross pay of $33,573. Two-parent families earned on average $74,645.

The second column from the right shows take-home pay. A single employable person had a take-home pay of $25,738. A single disabled person had a slightly higher take-home pay of $26,713. A single parent with one child took home $29,370. A couple with two children had a take-home pay of $54,230. For the single employable person, single disabled person and the couple with two children deductions represented about 25 percent of wages. The single parent with one child was deducted almost 12.5 percent of the wages.

Take-home incomes were different due to benefits and deductions. Each family type contributed to CPP, EI, and paid federal and provincial income taxes. The single employable person and single disabled person did not qualify for a GST credit and therefore did not receive any benefits.

The single parent with one child with an average wage received the Canada Child Tax Benefit but only received the National Child Benefit Supplement beginning in July 2000 when the income rates changed. The single parent also received a GST credit and the Ontario Child Care Supplement for Working Families. The couple with two children received some Canada Child Tax Benefits in July 2000 when the rates changed but they did not qualify for the Supplement or for a GST credit.

ONTARIO, AVERAGE WAGE INCOME PERCENTAGE OF POVERTY LINES, 2000					
	Take-Home Pay	MBM	% of MBM	LICO	% of LICO
Single Employable	$25,738	$13,672	188%	$15,172	170%
Single Disabled	$26,713	$13,672	195%	$15,172	176%
Single Parent, One Child	$29,370	$19,140	153%	$18,513	159%
Couple, Two Children	$54,230	$27,343	198%	$29,163	186%

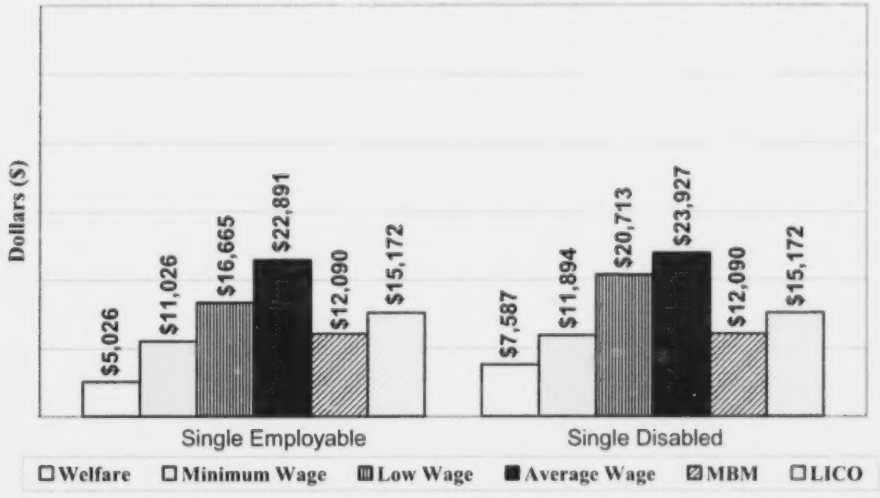
When families had average wage incomes, ever family type earned an income significantly higher than the MBM or LICO poverty lines. The table above shows that the single employable person earned 188 percent of the MBM and 170 percent of the LICO. The single disabled person earned 195 percent of the MBM and 176 percent of the LICO. The single parent with one child earned 153 percent of the MBM and 159 percent of the LICO. The couple with two children earned almost twice the value of either poverty line, 198 percent of the MBM and 186 percent of the LICO.

Despite a higher income, Toronto rents would have been an obstacle for the single employable person, single disabled person and the single parent with one child. The single employable person and the single parent would each have spent nearly 40 percent of their take-home incomes on rent if they wanted average-priced rental accommodation. The single disabled person spent 37 percent of income on rent. The only family type to spend less than the recommended 30 percent of their income on rent was the couple with two children. Nearly 26 percent of their take-home income was spent on rent.

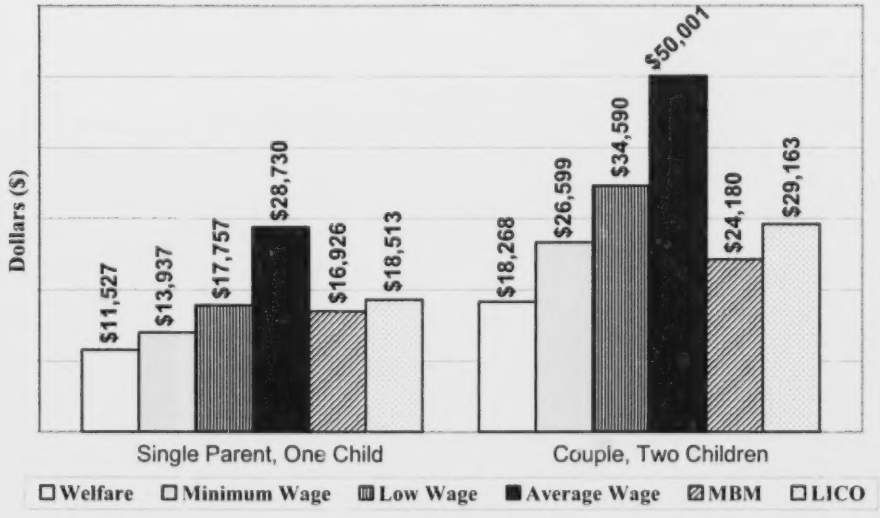
The single parent with one child spent an extra 25 percent of take-home income on child care. Combined with rent this worker needed 65 percent of his or her family income for these two basic necessities leaving only 35 percent for other expenses. Thirty-five percent of the take-home income is approximately $10,000, slightly short of the $11,160 the MBM researchers identified as the cost for other basic needs. Even with average wages, single parents in Toronto face hard times trying to make ends meet.

WHAT DOES IT MEAN FOR ALBERTA?

Alberta
Take-Home Pay, Single People, 2000



Alberta
Take-Home Pay, Families with Children, 2000



WELFARE

ALBERTA, TOTAL WELFARE INCOME, 2000	
Single Employable	$5,026
Single Disabled	$7,587
Single Parent, One Child	$11,527
Couple, Two Children	$18,268

The welfare rates for the four family types are provided in the table above. The calculations assume that each family type lives in Alberta's largest city: Calgary. In 2000, a single employable person in Alberta on welfare for the full year received $5,026. A single disabled person received slightly more with an amount of $7,587. A single parent with one child two years old received $11,527 and a couple with two children ages 10 and 15 years received $18,268.

ALBERTA, WELFARE INCOME PERCENTAGE OF POVERTY LINES, 2000					
	Take-Home Pay	MBM	% of MBM	LICO	% of LICO
Single Employable	$5,026	$12,090	42%	$15,172	33%
Single Disabled	$7,587	$12,090	63%	$15,172	50%
Single Parent, One Child	$11,527	$16,929	68%	$18,513	62%
Couple, Two Children	$18,268	$24,180	76%	$29,163	63%

The table above provides the percentage of the MBM and LICO poverty lines that each family type received from welfare. The table shows that not one family type even approached either poverty line with these incomes. As we saw with welfare in the other provinces, single employable people have by far the least adequate incomes, regardless of the poverty line used:

42 percent of the MBM and only 33 percent of the LICO. The single disabled person received a much higher percentage of 63 percent of the MBM and 50 percent of the LICO, but even so, this was grossly inadequate. The single parent with one child received 68 percent of the MBM and 62 percent of the LICO. The couple with two children received 76 percent of the MBM and 63 percent of the LICO.

Such low welfare payments resulted in a significant portion of income spent on rent for each family type. The average rental rates in Calgary for 2000 were $611 per month for a one-bedroom apartment, $740 per month for two bedrooms, and $713 per month for a three-bedroom apartment.

At these rates, the cost of an average one-bedroom apartment was beyond unaffordable. A single employable person simply did not have enough money to pay for an average one-bedroom apartment. A one-bedroom apartment cost $7,332 for the year and this individual received only $5,026 to cover everything, $2,306 less than needed for the average rent alone.

The single disabled person needed nearly 97 percent of his or her entire welfare income for the same one-bedroom apartment, making this type of shelter impossible. The single parent with one child needed 77 percent of income from welfare for a two-bedroom apartment. The couple with two children was in the best position to pay rent on average accommodation, but still needed 47 percent of its income for a three-bedroom apartment. In every case, average-priced accommodation was simply impossible.

In all four cases, the cost of average housing was far beyond affordability, which is measured as 30 percent of a household's income. Affording shelter for anyone on welfare meant cutting out other important expenses and accepting substandard housing.

MINIMUM WAGE

ALBERTA, MINIMUM WAGE INCOME, 2000			
	Gross Pay	Take-Home Pay	% Difference
Single Employable	$12,272	$11,026	-10.2%
Single Disabled	$12,272	$11,894	-3.1%
Single Parent, One Child	$12,272	$13,937	13.6%
Couple, Two Children	$24,544	$26,599	8.4%

The minimum wage rate in Alberta throughout 2000 was $5.90 an hour, the lowest minimum wage in the country. The gross incomes are shown in the second column of the table above. One worker who worked full-time, that is, 40 hours a week for 50 weeks a year at this wage earned a gross income of $12,272. This is the gross pay of the single employable person, single disabled person and single parent with one child two years old. The couple with two children ages 10 and 15 years earned exactly twice that amount: $24,544. These gross wages include a mandatory four percent vacation pay.

In the same table above, the second column from the right shows take-home pay. A single employable worker had a take-home pay of $11,026, with deductions of 10.2 percent of wages. A single disabled worker had a slightly higher take-home pay of $11,894, with deductions of only 3.1 percent. Individuals who were disabled could pay lower income taxes, so the single disabled worker had fewer deductions than the single employable worker. A single parent with one child had a take-home income of $13,937, 13.6 percent higher than wages alone due to tax credits and benefits for parents. A couple with two children had a take-home income of $26,599, 8.4 percent more than wages also due to tax credits and benefits for parents.

Gross pay is different than a worker's take-home pay due to deductions and benefits. Each worker contributed to the Canada Pension Plan (CPP) and Employment Insurance (EI). Not all of the family types had an income high enough to contribute to federal and provincial income taxes. The single disabled person and single parent with one child were both exempt from paying taxes. For the single disabled person this was because after claiming a disability tax credit this individual had a net income too low to pay income taxes. For the single parent this was because after claiming child care this parent had a net income too low to pay taxes. Each family type received a GST credit. The two family types with children received the Canada Child Tax Benefit and Supplement. The families with children also benefited from the Alberta Family Employment Tax Credit.

ALBERTA, MINIMUM WAGE INCOME PERCENTAGE OF POVERTY LINES, 2000					
	Take-Home Pay	MBM	% of MBM	LICO	% of LICO
Single Employable	$11,026	$12,090	91%	$15,172	73%
Single Disabled	$11,984	$12,090	98%	$15,172	78%
Single Parent, One Child	$13,937	$16,929	82%	$18,513	75%
Couple, Two Children	$26,599	$24,180	110%	$29,163	91%

The table above provides the percentage of the MBM and LICO poverty lines earned by each family type. Despite full-time employment, in most cases, minimum workers did not earn enough to bring them and their families over either of the poverty lines. The single employable worker earned 91 percent of the MBM and just 73 percent of LICO. The single disabled worker earned 98 percent of the MBM but just 78 percent of LICO. The single parent with one child earned 82 percent of the MBM and 75 percent of LICO. The couple with two children was the only family to earn above a poverty line earning 110 percent of the MBM but still only 91 percent of LICO.

A low minimum wage forced most of these workers to use a disproportionate amount of their income for rent. The percentages were calculated using take-home incomes. The single employable worker would have spent 66 percent of income on rent to pay for average-priced rental accommodation. The single disabled worker spent a little less with nearly 62 percent of income going to rent. The single parent with one child spent approximately 64 percent of their take-home income on rent. The couple with two children was the only family type to come near the recommended "affordable" 30 percent of income on rent, spending 32 percent of their income.

The financial situation for the single parent was more difficult due to child care costs to make it possible for the parent to work. Child care accounted for almost 40 percent of this parent's take-home income. Child care combined with average rent totaled an amount higher than the total take-home income. This means that paying for both rent and child care is impossible for this worker.

For a single parent with a child, the income difference between welfare and full-time work at minimum wage is shockingly small. In 2000, a single parent received $11,526 in welfare, just $2,411 less than an income while working full time at minimum wage. If it is not possible for parents to pay for rent and child care with their minimum wage income, then there is little financial incentive for them to leave welfare to enter the work force at this wage.

LOW WAGE

ALBERTA, LOW-WAGE INCOME, 2000			
	Gross Pay	Take-Home Pay	% Difference
Single Employable	$20,800	$16,665	-19.9%
Single Disabled	$20,800	$17,757	-14.6%
Single Parent, One Child	$20,800	$20,713	-0.4%
Couple, Two Children	$41,600	$34,590	-16.9%

The gross wage incomes for the low-wage or $10-an-hour worker are provided in the second column labeled gross pay. At a wage of $10 an hour the single family types working full-time earned $20,800. The couple with two children earned twice this amount with $41,600.

The next column shows take-home pay. The single employable person had a take-home income of $16,665, with deductions of 19.9 percent of wages. After taxes, the single disabled person had a slightly higher take-home income of $17,757, which is 14.6 percent less than wages. The single parent with one child had a take-home income of $20,713, with deductions of only 0.4 percent. The couple with two children had a take-home income of $34,590, with deductions of 16.9 percent.

The take-home income was different from gross pay as it included CPP and EI deductions. As well, each family type paid federal and provincial income taxes. Each family type received a GST credit. The single parent with one child received the Canada Child Tax Benefit and Supplement. The couple with two children received the Canada Child Tax Benefit but did not qualify for the Supplement because its income was too high. The two family types with children also received the Alberta Family Employment Tax Credit.

ALBERTA, LOW-WAGE INCOME PERCENTAGE OF POVERTY LINES, 2000					
	Take-Home Pay	MBM	% of MBM	LICO	% of LICO
Single Employable	$16,665	$12,090	138%	$15,172	110%
Single Disabled	$17,757	$12,090	147%	$15,172	117%
Single Parent, One Child	$20,713	$16,929	122%	$18,513	112%
Couple, Two Children	$34,590	$24,180	143%	$29,163	119%

The table above provides the percentage of the MBM and LICO poverty lines earned by each family type. At low wage, every family type had earnings above the MBM and LICO. According to the LICO, however, the four family types would still be considered "near poor" because their incomes were between 100% and 125% of the poverty line. The single employable person earned 138 percent of the MBM – above near poverty – but only 110 percent of the LICO. The single disabled person earned 147 percent of the MBM – again, above near poverty according to the MBM – but 117 percent of the LICO, leaving them in near poverty.

The single parent with one child is the only family type who still falls into "near poor" category for both poverty lines. This worker earned just 122 percent of the MBM and 112 percent of the LICO. The couple with two children earned 143 percent of the MBM and 119 percent of the LICO, in near poverty according to LICO.

Low-wage workers spent a disproportionate amount of their income on rent for average accommodation. Using take-home income amounts and the same rents as we did for the other income types, the single employable person spent an unaffordable 44 percent of income on rent for average accommodation. The single disabled person spent a little less with 41 percent of income going towards rent – still a disproportionate and unaffordable amount. The single parent with one child spent slightly more with 43 percent of income spent on rent, again unaffordable. Only the couple with two children spent less than the recommended 30 percent of its income on rent – nearly 25 percent of its take-home income.

The single parent also paid for child care using a further 27 percent of income. This cost combined with average rent, accounted for nearly 70 percent of income. This means only 30 percent remained for food, clothing, transportation and other household expenses. Thirty percent of this family's income is approximately $6,200. According to the MBM, this family

needed over $10,000 for expenses other than housing. This family could not afford all the components of the basket once child care was paid for – even though the family income exceeded the MBM poverty line. This is because the MBM does not account for the cost of child care upfront.

AVERAGE WAGE

ALBERTA, AVERAGE WAGE INCOME, 2000			
	Gross Pay	Take-Home Pay	% Difference
Single Employable	$30,354	$22,891	-24.6%
Single Disabled	$30,354	$23,927	-21.2%
Single Parent, One Child	$35,382	$28,730	-18.8%
Couple, Two Children	$68,334	$50,001	-26.8%

The average wages for workers in Alberta for 2000 are in the second column in the above table. These are averages based on data from Statistics Canada's Survey of Labour and Income Dynamics. For the single employable person and the single disabled person, we used average incomes for unattached people under 65. For the single parent, we used the average income of single parents under 65 with children under 18. For the two-parent family, we used the average incomes of couples under 65 with children under 18.

Unattached workers earned $30,354 while single parents earned slightly more with $35,382. The average wage for a two-parent family was $68,334. All of these wages include a mandatory four percent vacation pay.

The second column from the right shows take-home pay. The single employable person had a take-home pay of $22,891 while the single disabled person had a slightly higher take-home pay of $23,927. The single parent with one child took home $28,730. The couple with two children had a take-home pay of $50,001. For the single employable worker and the couple with two children deductions represented about 25 percent of the wages. Take-home pay of the single disabled worker and the single parent with one child was about 20 percent lower.

Take-home incomes were different due to various benefits and deductions. Each family type contributed to CPP, EI and federal and provincial income taxes. The single employable person and the single disabled worker received a GST credit. The single parent with one child received the Canada Child Tax Benefit but did not qualify for the Supplement. The single parent also received a GST credit. The couple with two children received a Canada Child Tax Benefit but did not qualify for the Supplement. The couple did not qualify for GST. Neither family type with children qualified for the Alberta Family Employment Tax Credit.

ALBERTA, AVERAGE WAGE INCOME PERCENTAGE OF POVERTY LINES, 2000					
	Take-Home Pay	MBM	% of MBM	LICO	% of LICO
Single Employable	$22,891	$12,090	189%	$15,172	151%
Single Disabled	$23,927	$12,090	198%	$15,172	158%
Single Parent, One Child	$28,730	$16,929	170%	$18,513	155%
Couple, Two Children	$50,001	$24,180	207%	$29,163	171%

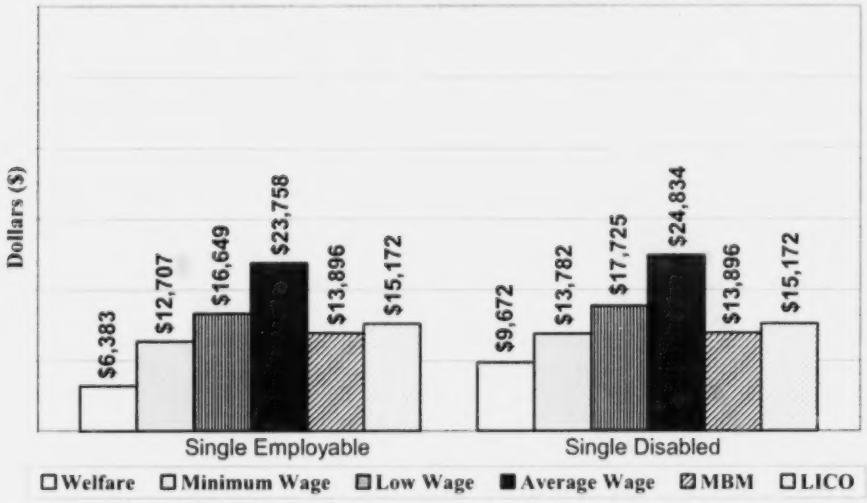
The table above provides the percentage of the poverty line earned by each family type. Each family type had a take-home income significantly higher than the MBM and LICO poverty lines. The single employable worker earned 189 percent of the MBM and 151 percent of the LICO. The single disabled worker earned 198 percent of the MBM and 158 of the LICO. The single parent with one child earned 170 percent of the MBM and 155 of the LICO. The couple with two children earned 207 percent of the MBM and 171 of the LICO.

Higher wages made a significant difference to the families' expenses – in particular to the affordability of their housing. Each family type spent near or below 30 percent of their incomes on rent in average-priced accommodation making average-priced housing an affordable option for them all. Using the same rents as for the other income types, the single employable worker spent 32 percent of take-home income on rent. The single disabled worker and the single parent with one child both spent close to 30 percent of take-home income on rent. The couple with two children spent the least with 17 percent of their take-home income going towards rent.

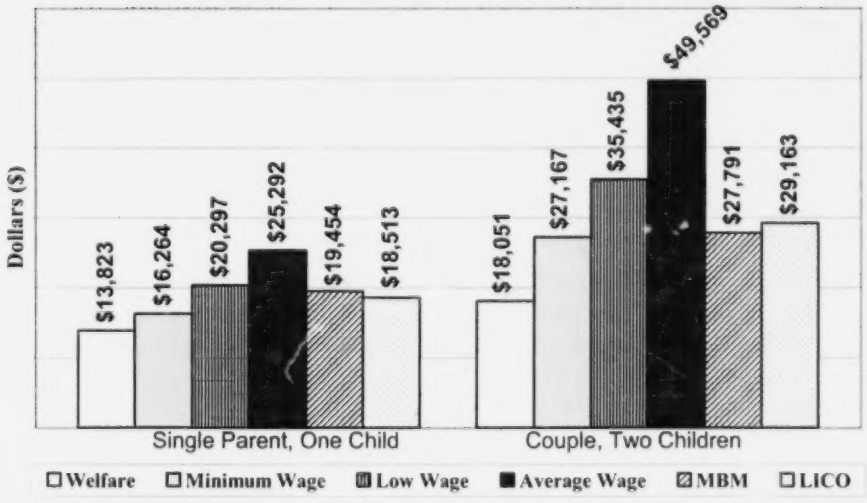
At an average wage, child care also was more affordable for the single parent with one child accounting for almost 20 percent of the take-home income. Combined with rent, this left 50 percent of take-home income available for other household expenses. Fifty percent of this family's take-home income is approximately $14,000. According to the MBM, this amount is more than sufficient for the remaining household costs.

WHAT DOES IT MEAN FOR BRITISH COLUMBIA?

British Columbia
Take-Home Pay, Single People, 2000



British Columbia
Take-Home Pay, Families with Children, 2000



WELFARE

BRITISH COLUMBIA, TOTAL WELFARE INCOME, 2000	
Single Employable	$6,383
Single Disabled	$9,672
Single Parent, One Child	$12,823
Couple, Two Children	$18,051

The 2000 welfare rates for the four family types are provided in the table above. The calculations assume that each family type lives in British Columbia's largest city: Vancouver. In 2000, a single employable person in British Columbia received a welfare income of $6,383 and a single disabled person received $9,672. The single parent with one child two years old received $12,823 and the couple with two children ages 10 and 15 years received $18,051.

BRITISH COLUMBIA, WELFARE INCOME PERCENTAGE OF POVERTY LINES, 2000					
	Take-Home Pay	MBM	% of MBM	LICO	% of LICO
Single Employable	$6,383	$13,896	46%	$15,172	42%
Single Disabled	$9,672	$13,896	70%	$15,172	64%
Single Parent, One Child	$13,823	$19,454	71%	$18,513	75%
Couple, Two Children	$18,051	$27,791	65%	$29,163	62%

The table above provides the percentage of the MBM and LICO poverty lines earned by each family type. Not one family type received an income near either poverty line, but the situation was far worse for some than for others. The single employable person received less than half of both the MBM and LICO: only 46 percent of the MBM and 42 percent of the LICO. The single disabled person received a much higher – but still grossly inadequate – percentage of 70 percent of the MBM and 64 percent of the LICO. The single parent with one child received 71 percent of the MBM and 75 percent of the LICO. The couple with two children received 65 percent of the MBM and 62 percent of the LICO.

Average rental rates in Vancouver are quite high. In every case, the cost of average rents far exceeded the 30-percent threshold for affordability. In 2000, a one-bedroom apartment cost $695 per month, two bedrooms cost $891 and three bedrooms cost $1,022. With such high rents, it is not surprising that welfare recipients had a hard time paying average rent costs

At these rates, the cost of an average-priced one-bedroom apartment exceeded the entire income of a single employable person on welfare: one bedroom cost $8,340 for the year but the entire annual welfare income was just $6,383 or $1,957 less than rent. An average-rent apartment was also unaffordable for the single disabled person at 86 percent of income. Similarly, the single parent with one child in a two-bedroom apartment needed 83 percent of income for a two-bedroom unit and the couple with two children needed 68 percent of the family income for a three-bedroom apartment.

MINIMUM WAGE

BRITISH COLUMBIA, MINIMUM WAGE INCOME, 2000			
	Gross Pay	Take-Home Pay	% Difference
Single Employable	$15,028	$12,707	-15.4%
Single Disabled	$15,028	$13,782	-8.3%
Single Parent, One Child	$15,028	$16,264	8.2%
Couple, Two Children	$30,056	$27,167	-9.6%

At $7.15 an hour until November 2000 when the rate rose to $7.60, British Columbia had the highest minimum wage rate in the country for the year. Our calculations take into consideration the increase in pay. The gross incomes are provided in the second column of the table above. The family types with a single wage earner working full-time, that is, 40 hours at week for 50 weeks a year, had a gross pay of $15,028. The couple with two children earned $30,056. These calculations include a mandatory four percent vacation pay.

A single employable person had a take-home income of $12,707, with deductions of 15.4 percent of wages. After taxes, a single disabled person had a slightly higher take-home income than the single employable person at $13,728, with deductions of 8.3 percent of wages. A single parent with one child had a take-home income of $16,264, 8.2 percent more than wages alone due to benefits and tax credits for parents. A couple with two children had a significantly higher take-home income of $27,167, with a 9.6 percent deduction of wages.

Take-home pay for the family types was calculated by deducting their contributions to the Canadian Pension Plan (CPP) and Employment Insurance (EI). Each family type with the exception of the single parent with one child paid federal and provincial income taxes. The single parent was exempted from income tax due to the low net income after claiming child care costs. Also, each family type qualified for a GST credit.

The single parent with one child and the couple with two children both received the Canada Child Tax Benefit. These two family types also qualified for the Supplement; however, in British Columbia the Supplement is clawed back and reinvested in other programs. The single parent with one child received benefits from the BC Family Bonus and the BC Earned Income Benefit. The couple with two children did not qualify for these provincial programs.

BRITISH COLUMBIA, MINIMUM WAGE INCOME PERCENTAGE OF POVERTY LINES, 2000					
	Take-Home Pay	MBM	% of MBM	LICO	% of LICO
Single Employable	$12,707	$13,896	91%	$15,172	84%
Single Disabled	$13,782	$13,896	99%	$15,172	91%
Single Parent, One Child	$16,264	$19,454	84%	$18,513	88%
Couple, Two Children	$27,167	$27,791	98%	$29,163	93%

The table above provides the percentage of the MBM and LICO poverty lines earned by each family type. Despite full-time employment, not one of these workers and their families rose over either poverty line. The single employable worker earned 91 percent of the MBM and only 84 percent of the LICO. The single disabled worker came very close – earning 99 percent of the MBM and 91 percent of the LICO. The single parent with one child earned 84 percent of the MBM and 88 percent of the LICO. The couple with two children also came close – earning 98 percent of the MBM and 93 percent of the LICO.

High rents and low wages caused each family type to spend a disproportionate amount of their income on rent for average accommodation. In every case, average rents in appropriate sizes of apartments were too expensive for these families to afford. The single employable person and the single parent with one child would have spent 66 percent of income on rent for average price apartments. The single disabled person spent slightly less with 61 percent of income going towards rent. The couple with two children spent 45 percent of their income on rent. In every case, the rent was significantly more than 30 percent of their incomes on rent and in most cases, at least double the recommended 30 percent.

Child care costs for the single parent family accounted for 41 percent of income. Combined with rent, a working single parent with a minimum wage job did not have the money to pay both the rent and child care. There is very little financial incentive for this worker to remain in the work force at this wage as, despite working full-time year round, basic living expenses exceed the money coming into the home.

LOW WAGE

BRITISH COLUMBIA, LOW-WAGE INCOME, 2000			
	Gross Pay	Take-Home Pay	% Difference
Single Employable	$20,800	$16,649	-20.0%
Single Disabled	$20,800	$17,725	-14.8%
Single Parent, One Child	$20,800	$20,297	-2.4%
Couple, Two Children	$41,600	$35,435	-14.8%

The gross wage incomes for the low-wage or $10-an-hour worker are provided in the second column of the table above. At a wage of $10 an hour the single family types working full time earned $20,800. The couple with two children ages 10 and 15 years earned twice this amount with $41,600.

The single employable person had a take-home pay of $16,649 with deductions of 20 percent of wages. The single disabled person had a higher take-home pay of $17,725. The single parent with one child had a take-home pay of $20,297, with deductions totalling only 2.4 percent. The couple with two children had a take-home pay of $35,435. The single disabled worker and the couple with two children both had deductions of 14.8 percent of wages.

Take-home pay differed from gross pay as it included deductions and benefits. All the workers made contributions to CPP and EI and each family type paid federal and provincial income taxes. The single employable and single disabled workers received a GST credit. The single parent with one child received a GST credit, the Canada Child Tax Benefit, the BC Family Bonus and the BC Earned Income Benefit. The couple received a GST credit and the Canada Child Tax Benefit but did not qualify for the BC Family Benefits.

BRITISH COLUMBIA, LOW-WAGE INCOME PERCENTAGE OF POVERTY LINES, 2000					
	Take-Home Pay	MBM	% of MBM	LICO	% of LICO
Single Employable	$16,649	$13,896	120%	$15,172	110%
Single Disabled	$17,725	$13,896	128%	$15,172	117%
Single Parent, One Child	$20,297	$19,454	104%	$18,513	110%
Couple, Two Children	$35,435	$27,791	128%	$29,163	122%

The table above provides the percentage of the MBM and LICO poverty lines earned by each family type. At this wage, every family type had earnings above the MBM and LICO, but most of these families would be considered as "near poor," that is, living at or below 125 percent of the poverty line. In these cases an unexpected financial crisis such as a work injury could easily move the family under the poverty line.

The single employable worker was "near poor" under both measures, earning 120 percent of the MBM and 110 percent of LICO. The single disabled worker earned just above near poverty under the MBM at 128 percent but was in near poverty at 117 percent of the LICO. The single parent with one child was in near poverty under both measures, at 104 percent of the MBM and 110 percent of LICO. The couple with two children earned 128 percent of the MBM and 122 percent of LICO.

The percentage of take-home income spent on average rents was unaffordably and disproportionately high for low-wage workers. The single employable person spent 50 percent of take-home income on rent. The single disabled worker spent less with 47 percent of take-home income going towards rent. The single parent spent 53 percent of income on rent. The couple spent a more reasonable amount, spending 35 percent of take-home income on rent, which is almost low enough to be affordable.

The single parent used a further 33 percent of income for child care. Combined with rent, this worker had only 14 percent of take-home income available for food, clothing, transportation and other household expenses. Fourteen percent of the take-home income is just $2,723. According to the MBM, this parent needed $11,739 for these expenses – more than

three times that amount – to pay for the other basics of life. Living at the basic MBM level would take $9,016 more than the single parent's take-home pay. Despite working full-time year round, this single parent is forced to determine which of the carefully calculated necessities of life in MBM they would have to do without.

AVERAGE WAGE

BRITISH COLUMBIA, AVERAGE WAGE INCOME, 2000			
	Gross Pay	Take-Home Pay	% Difference
Single Employable	$32,331	$23,758	-26.5%
Single Disabled	$32,331	$24,834	-23.2%
Single Parent, One Child	$28,654	$25,292	-11.7%
Couple, Two Children	$68,001	$49,569	-27.1%

The average wages for workers in British Columbia for 2000 are in the column labeled gross pay. These are averages based on data from Statistics Canada's Survey of Labour and Income Dynamics. For the single employable person and the single disabled person, we used average incomes for unattached people under 65. For the single parent, we used the average income of single parents under 65 with children under 18. For the two-parent family, we used the average incomes of couples under 65 with children under 18.

Unattached workers in BC earned on average $32,331. Single parents made slightly less earning with $28,654. The two-parent family earned $68,001. All of these wages include a mandatory four percent vacation pay.

The second column shows take-home wages. The single employable person had take-home pay of $23,758 or 26.5 percent less than gross pay. After taxes, the single disabled worker had a slightly higher take-home pay of $24,834 or 23.2 percent less than gross pay. The single parent with one child took home $25,292 or 11.7 percent less. The couple with two children had a take-home pay of $49,569 which was 27.1 percent less than gross pay.

Take-home incomes were determined through calculation of various deductions and benefits. Every worker contributed to CPP and EI, and all paid some federal and provincial taxes. The single employable person and the single disabled person received a GST credit. The single parent with one child received the Canada Child Tax Benefit, a GST credit and the BC Earned Income Benefit. The couple with two children received only the Canada Child Tax Benefit.

BRITISH COLUMBIA, AVERAGE WAGE INCOME PERCENTAGE OF POVERTY LINES, 2000					
	Take-Home Pay	MBM	% of MBM	LICO	% of LICO
Single Employable	$23,758	$13,896	171%	$15,172	157%
Single Disabled	$24,834	$13,896	179%	$15,172	164%
Single Parent, One Child	$25,292	$19,454	130%	$18,513	137%
Couple, Two Children	$49,569	$27,791	178%	$29,163	170%

The table above provides the percentage of the MBM and LICO poverty line earned by each family type. Each family had an income well above both poverty lines. The single employable worker with a job at the average wage in BC earned 171 percent of the MBM and 157 percent of the LICO. The single disabled person earned 179 percent of the MBM and 164 percent of the LICO. The single parent with one child earned 130 percent of the MBM and 137 percent of the LICO. The couple with two children earned 178 percent of the MBM and 170 percent of the LICO.

Even with average wages, rent on average-priced apartments was unaffordably high for the four situations we looked at. Most would have spent at least a little more than 30 percent of their take-home income if they wanted average-priced accommodation. Rent for the single employable worker would have been 35 percent and for the disabled worker, 34 percent. The single parent with one child would have spent 42 percent of income on rent. Only the couple with two children would have found an average-priced rental affordable at 25 percent of take-home income for rent.

At an average wage, child care accounted for approximately 25 percent of the take-home income of a single parent with one child. Combined with rent, this left 33 percent of the take-home income for other expenses such as food, clothing, transportation and other household expenses. Thirty-three percent of the family's take-home income was approximately $16,000. According to the MBM this is more than sufficient for the remaining household costs.

ANALYSIS

It came as no surprise to the Council that welfare recipients would be the poorest of all the people whose incomes we looked at. In all the years the National Council of Welfare has tracked welfare, we have never found a situation where welfare recipients reached the poverty line. Whether we looked at the LICO or the new MBM, this was the case in every province and for every type of welfare recipient.

The situation was bad for everyone on welfare, but it was universally extremely hard on single employable people. Single employable people received welfare incomes that ranged from a low of 33 percent of the LICO in Alberta to a high of 45 percent in Ontario. Using the MBM, the range was a low 42 percent in Alberta to a high of 56 percent of the poverty line in Quebec. The best that welfare provided were incomes for the couple with two children which ranged from a low of 56 percent in Quebec to a high of 63 percent in Alberta in using LICO. Using the MBM, the range was a low of 65 percent in British Columbia and a high of 76 percent in Alberta.

What was more surprising to the Council were the difficult circumstances in which minimum-wage workers find themselves in all four of the provinces we looked at. In almost every case, a full-time worker working all year could not live above the poverty line, whether it was MBM or LICO. The exceptions were the single parent in Quebec whose income was 132 percent of the MBM and 112 percent of the LICO. This was achieved because the Quebec government made significant contributions to the benefits and taxes of families of this type. In Ontario, the single disabled person and the couple with children had incomes that matched the MBM poverty line, but were below the LICO. In Alberta, the single disabled person's income almost met the MBM and the couple with two children had 110 percent of the MBM. In British Columbia, the disabled person and the couple with two children almost reached the MBM limits.

Only when workers had jobs that paid ten dollars an hour were they safely over both the poverty lines. Low-wage workers consistently earned enough to cover the costs of the necessities of life according to the MBM and the LICO poverty line. They were, however, not living in luxury. Low-wage workers of all family types had take-home earnings that ranged from 108 percent of the LICO in Quebec for a single employable person to 122 percent of the LICO for the couple with two children in Ontario and in British Columbia. In all cases, families were very vulnerable financially. All the low-wage families were classified as "near poor" or living at just 125 percent of the poverty lines. Any change in their situations, from a brief illness to the family car breaking down, could throw the family into a crisis.

Average-wage workers were consistently able to support their families well over either poverty line. In all cases, families in which all the adults in the family had full-time work were able to make enough to cover necessities and to have some money to spare for the inevitable ups and downs in a family budget.

Child care is not a necessity for everyone – that is, if they have no young children, are able to care for their children and are not in training programs – but rent is a necessity for everyone. The cost of rent for average apartments in all four cities was simply beyond the reach of everyone on welfare. At minimum wage, only in Montreal could the single parent and couple with two children afford average-price apartments. For full-time low-wage workers, average apartments were still unaffordable for the single employable and single disabled person in Montreal, for everyone in Toronto and Vancouver, and for everyone except the couple in Calgary. In Montreal, average-wage workers could afford average accommodation, but in Toronto, Calgary and Vancouver, this was the case only for the couple with children. In almost all cases, a single employable person had to spend at least half of income on rent. Not being able to afford average rents forces people to consider substandard and unsafe housing.

Child care is a necessity for single parents of young children with full-time jobs. Quebec was the only one of the four provinces that provided child care rates affordable to their low-income workers. In 2000, the majority of Quebec parents had access to five-dollar-a-day day care. In the other provinces, day care costs were crippling. For minimum-wage single parents in Ontario, Alberta and British Columbia, average rents and child care costs exceeded take-home incomes. These workers were unable to afford their basic needs despite year-round work.

One unfortunate feature of the MBM is its awkwardness when assessing the living standards of families with children. The MBM does not include child-care costs as an item that parents must purchase. The researchers who designed the MBM noted correctly that child-care costs are extremely varied across the country. The MBM designers decided that it was impossible to make a good estimate of child-care costs for the MBM. Calculations would have to look at the other market basket goods in the MBM, then calculate the actual costs of child care. This means that the MBM does not calculate the amount of money remaining in the take-home income of parents after they pay their child care costs. Unfortunately, this makes the MBM more complicated. As is the case for low-wage parents in Ontario, Alberta, and British Columbia, parents can have a take-home income higher than the MBM *before* they pay for child care. *After* paying child-care costs, the income for these families is often much lower than the MBM and they have little left over for the other needs of the family.

The difficulties we identified for these theoretical minimum-wage workers are no exaggeration. Real minimum-wage and low-wage workers may be in situations even more difficult than the sample families in this paper. The work scenarios upon which our research is based are best cases. We assume, for example, that each worker worked full-time year round with no interruptions. This is a generous assumption. A 2002 paper by the Canadian Policy Research Networks notes that many low-paid workers cannot find work for the full year. About one in three low-wage workers worked part-time and another 29 percent of low-wage workers were in temporary jobs.

RECOMMENDATIONS

WELFARE

The National Council of Welfare has tracked welfare rates since 1986. In all those years, we have had very little opportunity to announce any good news. From the beginning, the Council was concerned about how low welfare incomes were. Welfare incomes have never reached the LICO poverty line for any family type at any time anywhere in Canada. Now with the new MBM to measure income adequacy, we find that welfare does not even meet that level.

Welfare is intended to help people who are down on their luck. It makes no sense to the National Council of Welfare to set levels of welfare so low that people cannot find the resources to get back on their feet. Welfare must cover the costs of the basic necessities of life, and it must allow people the income they need for other items such as transportation to training and job interviews. The Council believes the new MBM may well prove to be a good tool for assessing what those costs are, but the MBM is still unproven. Until we have several more years of data, the MBM cannot stand on its own as a measure of adequacy, though it is a useful instrument. But this does not change the fact that welfare incomes are woefully inadequate right now.

The National Council of Welfare recommends an increase to welfare rates in every province to a level where families and individuals can – at the very least – afford their basic living costs and the costs to get back on their feet.

DECENT LIVING FOR WORKERS

Once people are back in the workforce, governments have two mechanisms to ensure that workers reach a decent standard of living. One is to ensure that wages are high enough to support workers, and the other is to provide a combination of services and income support that ensures that workers get the goods and services they need. The National Council of Welfare believes that a combination of these mechanisms is essential to supporting people to make the transition from welfare into the labour market in a truly productive way. The Council believes that employers have a responsibility to pay living wages, but we also believe that it is reasonable for governments of all levels to provide some supplements to workers, especially those workers with children or with disabilities.

There is no consensus on the economic effects of an increased minimum wage. Some critics see an increase to the minimum wage as a potential destroyer of jobs while others see increased minimum wages as a necessary step in promoting income equality. According to a 1999 study by the Canadian Centre for Policy Alternatives that evaluated the risk to job creation, the overall impact of increased minimum wages on employment – either positive or negative – is minimal.

The National Council of Welfare used the OECD's definition of low wages in this paper. The OECD defines low wages as is two-thirds of the median earnings for all full-time employees. In 2000 in Canada, this was ten dollars an hour. Our work on this paper showed that ten dollars an hour was the minimum amount workers needed in 2000 to support themselves and their families above the poverty lines – MBM *or* LICO. This was by no means a life of luxury: a full-time ten-dollar-an-hour wage left many workers in the "near poor" category, but for the most part they could pay their rent and child-care costs.

The Living Wage, Living Income Campaign in Ontario advocates a rise in the minimum wage to ten dollars an hour so all workers would be able to afford their rent and child care costs. The National Council of Welfare strongly supports an increase of minimum wages to a level where full-time workers can live above the poverty line. The Council sees ten dollars an hour as a reasonable start. In 2000, ten dollars an hour brought workers and their families to a decent but basic level. In 2004, ten dollars an hour is the least Canadian workers should expect.

As a start, the National Council of Welfare calls on the federal government to raise the minimum wage for federally-regulated workers to ensure that their incomes meet and exceed at least one of the two poverty lines, MBM or LICO. The Council recommends that provincial and territorial governments do the same for workers in their jurisdictions.

CHILD CARE

The impact of good services on people in straitened circumstances is clear. The costs of average-priced rental apartments and of child care spaces overwhelm the budgets of everyone on welfare, and even those with modest incomes from full-time work. In Ontario, Alberta, and British Columbia, a single parent with one child earning minimum wage was unable to pay for both child care and average rent, yet both items are obviously essential if the parent is to enter the work force. Low-wage single parents could pay for these expenses but they were usually left with little else to pay for other needs such as food, clothing, transportation and household expenses.

It is hard for ordinary Canadians to imagine being in the shoes of a single parent in Ontario earning a low wage with only $2,149 a year remaining to cover everything else after paying child care and average rent for the year. The situation was the same in British Columbia and Alberta. These parents were left with just $2,723 and $6,200 respectively to cover *every* other expense for the entire year.

Minimum-wage and low-wage workers in Quebec were in a far better position to afford their child care costs. In 2000, the majority of Quebec parents had access to five-dollar-a-day child care. In all other provinces, even where there were good child care subsidy programs, the waiting lists for subsidies and good child care spaces were overwhelming. One of the

consequences of high child care costs is that it creates a major financial disincentive for low-income parents to enter the work force.

The National Council of Welfare has made numerous recommendations for a system of child care in each province and territory. Good child care is essential to supporting parents to get the training and the jobs that will allow them to earn enough to move off welfare and to find and keep the jobs that will allow them to support their families adequately. Good child care is also an essential ingredient to ensuring that children have good quality early education. Our 1999 report *Preschool Children: Promises to Keep* spelled out our recommendations. The Council believes that such a system must be flexible and provide care that meets the needs of parents in many situations, full-time and part-time workers and students. The system must provide services for all children, not just those whose parents have low incomes. And the system must ensure high quality to make sure that Canadian children get the best possible early educational experiences.

In the Council's view, a coherent and systematic approach to creating high-quality and affordable child care across the country must be a priority for the federal government. The Council strongly recommends that the provinces and territories make such a system work in every jurisdiction.

AFFORDABLE HOUSING

In the majority of cases we looked at for this report, welfare recipients, minimum-wage and low-wage workers paid shockingly high proportions of their incomes to cover the cost of their rents. It seems obvious that decent and affordable housing is a necessity of life, especially for families raising children and for people with disabilities.

The 2003 report card on child poverty from Campaign 2000 points out that an average of only 8,800 rental units have been built yearly in Canada since 1996 – and most of those have rents so high that they are not affordable to the average Canadian. Campaign 2000 has called for a minimum of 25,000 new affordable rental units annually to deal with the shortage, half of which would be targeted to families that cannot afford market rent. The Toronto Disaster Relief Committee noted that in the mid-1990s the federal, provincial, territorial and municipal governments spent about one percent of their budgets on housing. The Toronto Disaster Relief Committee created The One Percent Solution which calls on all levels of governments to double their commitment to housing programs by restoring and renewing housing spending.

The National Council of Welfare believes that the federal, provincial and territorial governments must make major commitments to creating an adequate stock of affordable and good-quality homes for everyone in Canada. There are a range of strategies that can achieve this. These include a combination of increased funding, rent control and the building of more affordable and safe housing stock. All levels of government must

ensure that rental housing is maintained in safe and healthy condition so that people on tight budgets can still live safely.

PEOPLE WITH DISABILITIES

Disabled individuals were entitled to tax relief on their federal taxes and in some cases they received assistance from provincial tax systems as well. The tax relief is slight but noticeable when compared to the single employable worker who is not entitled to such benefit. The Council believes that people who have disabilities affecting their ability to work should be provided income supports that provide incentives to people who have overcome significant barriers to work.

The Council recommends that federal and provincial governments review their tax systems to identify the fairness of the tax system in relation to people with disabilities. As a principle, the Council believes that people who are working to the extent of their abilities should be supported to do so, and the tax system is an obvious mechanism to provide this support.

FAMILIES WITH CHILDREN

The other significant support to parents comes from provincial tax relief and benefits to families with children and to people with disabilities.

British Columbia offered benefits to low-income working families with the BC Family Bonus and the BC Earned Income Benefit. The BC Family Bonus provided benefits to low-income families with parents in the work force. The amounts given were equal to the BC Family Bonus less the National Child Benefit Supplement. BC clawed back the Supplement from all families – both those working or on welfare – to "reinvest" the money in other programs. The BC Earned Income Benefit provided further benefits to low-income working families. Alberta offered financial benefits to low-income working families with the Alberta Family Employment Tax Credit. Ontario offered tax breaks to low-income renters. These provincial initiatives helped to increase the take-home income of people in these provinces. However, these families were still left with unaffordable rent and child care because the benefit initiatives were not coupled with a comprehensive child care program and average rents in Toronto and Vancouver were extremely high.

Quebec provides more benefits and tax relief to parents, especially single parents, than any other province. Quebec permits higher non-refundable tax credits to single parents than to two-parent families and gives a higher family allowance for single parents than for two-parent families. As a result, single parents have more income in their pockets to care for themselves and their children in Quebec than elsewhere.

Single parents in Quebec lived on a little over $6,000 a year while on welfare but would have seen significant improvements in their standards of living if they took full-time work. There was a good incentive to take minimum-wage jobs, and even better incentives to take low-wage jobs. Their earnings more than doubled with minimum-wage earnings and nearly tripled with low-wage earnings by comparison to welfare incomes. Tax breaks and income supports, especially combined with affordable child care, create strong incentives to work. The financial incentive to move from welfare to paid work in Quebec was stronger than in any other province.

The Council was impressed with the incentives and supports to work for people in Quebec. The Council was particularly impressed by the fact that Quebec combined financial incentives with a comprehensive child-care system that makes it truly feasible for a parent on welfare to find a job and find good quality, affordable child care. Quebec even provided an incentive to seek better work once a parent was in the work force. This combination of tax relief, financial support and direct services such as affordable child care is the approach the National Council of Welfare recommends for all levels of government.

WELFARE TO WORK

Welfare-to-work incentives supported by the provinces have included the clawback of the National Child Benefit Supplement. As part of the agreement between the provinces, territories and the federal government, the provinces and territories were permitted to claw back the Supplement from the incomes of people on welfare. The idea was to provide an incentive to get paid work for parents on welfare. Most provinces and territories took advantage of this arrangement to take the money and "reinvest" it in other programs for children. British Columbia distinguishes itself from the other provinces by clawing back the National Child Benefit Supplement not only from families on welfare, but also from all other low-income families.

The National Council of Welfare has seen no convincing evidence that the clawback of the National Child Benefit Supplement has provided an incentive for parents on welfare to enter the work force. In the view of the Council, such punitive measures do nothing more than take money away from the poorest Canadians.

A far more constructive approach to work incentives would improve minimum wages, the affordability of child care and the cost of rent.

CONCLUSION

The Council has always maintained that no poverty line is perfect – though of course, some are better than others. All poverty lines are relative and all of them are arbitrary. New approaches to measuring poverty may add to our understanding of the issue, but the solutions to poverty are not hiding in poverty measures. Whether we used the MBM or the LICO, it was clear that too many Canadians lived in poverty.

Statistics Canada's low income cut-offs or LICOs are the most widely used poverty measure in Canada, even though the federal government has never recognized them as an official poverty line. The National Council of Welfare has used the LICO as the poverty line in most our work on poverty in Canada for over thirty years. From time to time, we have found other poverty measures useful, and we plan to continue to use other measures of poverty when they add valuable perspectives to our work.

Over the last decade, politicians, government officials and journalists have been increasingly critical of the LICOs as a measure of poverty. The criticisms included the fact that the way the LICOs are calculated is complicated and difficult to explain. Other critics said that the LICOs did not adequately reflect the differences in the costs of major items such as housing from one region of the country to another. On the other hand, LICOs have always been very good at reflecting the changes in the economic cycles. With only one year of data out, the MBM can provide only a snapshot of poverty, and cannot tell us how it will reflect changes in the economy or the impact of changes in provincial programming.

When the federal department of Human Resources Development released its new Market Basket Measure in May 2003, the National Council of Welfare was pleased to see that it provided a fairly complete list of the necessities of life and their costs. The list was by no means perfect, but it was reasoned and reasonable. From the Council's perspective, the MBM is a promising tool for looking at how social and economic programs work. The biggest drawback to using the MBM is the fact that only data for 2000 exist. Until data for several more years are published, the uses for the MBM are limited since we cannot use the measure to track social and economic progress over time.

This paper is the first project in which the Council has used the new MBM, and it illustrates some of the limitations. The MBM was useful for providing a snapshot of the situation of people with low incomes in 2000, but could not tell us much beyond that. This study also showed us one of the strengths of the MBM: its power to show that people who live below the MBM poverty line must give up some specific item that most Canadians would agree was essential.

While the LICO tells us that people on welfare are in straitened circumstances with a very small share of the wealth in their communities, the MBM is more concrete. When we worked with the LICO poverty line alone, we knew that everyone on welfare was very poor. Now that we have the MBM, the question is more pointed: What items do poor people have to give up

to survive on welfare? Will it be the bus pass that allows an adult to look for work and go to school, good quality food to maintain a family's health or adequate accommodation?

The National Council of Welfare believes that there is no reason for anyone in a country as wealthy as Canada to live without the basics to stay healthy and to have the resources to get back into the work force. In our view, welfare programs exist to support people when they are down on their luck. The programs must ensure that people are safe and healthy and have the resources to get back on their feet.

The Council has recommended for years that a market basket of the basics be developed and that income support programs such as welfare be set at rates that allowed people to buy the basic necessities. The Council sees the release of the MBM as a step in the direction of establishing absolute minimum levels for income support programs. The Council looks forward to further releases of the MBM and hopes that this will prove to be a good tool for long-term analysis of poverty and income supports.

It is disappointing to the Council – but no surprise – to find that provincial governments continue to set welfare rates at levels that simply do not allow any welfare recipient to maintain the most basic standard of living. The Council has documented the sad reality of inadequate welfare payments in every province and territory for years. We have heard from people who live on welfare and from the community organizations that work with them. The MBM confirms what we knew already – that people on welfare live without the basic items the rest of us cannot imagine doing without.

It is even more shocking to see that the situation for minimum-wage workers is only a relatively minor improvement from welfare. This situation exists a decade after the provinces and territories embarked on major welfare reforms aimed at taking down the "welfare wall" and moving welfare recipients into the work force. Despite working full-time year-round, almost all families of minimum-wage workers were poor by either poverty standard, MBM or LICO. The thinking behind these provincial welfare reforms supports the common view in Canada that hard work is the way out of poverty.

It is no credit to provincial and territorial welfare reformers that they have moved so many people from poverty on welfare to poverty in the work force. It is especially disgraceful that this is the case for full-time full-year workers doing everything we ask them to do.

The National Council of Welfare will continue to say that the solutions to poverty do not lie in poverty measures. On the other hand, the Council believes that good research can help to point the way to good solutions. Only the concerted efforts of governments of all levels will bring about a more reasonable collection of labour and welfare policies.

Governments of all levels have been pushing welfare-to-work policies for over a decade. The number of people on welfare across the country has dropped steadily from over three million in 1994 and 1995, to just 1.75 million in 2003. This might seem like progress, but the Council's research shows that the likelihood is that many of these welfare recipients moved

from poverty on welfare to poverty in the labour market. People working full time on minimum wages simply do not earn enough to rise over the poverty line – whether you measure poverty with the MBM or the LICO. People on low wages do a lot better, though they still live in straitened circumstances.

The National Council of Welfare believes that it is reasonable for social policies to encourage people on welfare to enter or re-enter the labour market. If these programs are going to be effective and ethical, the Council believes that such policies must embrace a number of basic principles. Whether they take paid work or not, everyone deserves to be treated with dignity and to receive the income or services that will support them to live healthily. The Council believes that income-support programs – and welfare in particular – must make it possible for people to get the services they need to get back into the labour market if this is a possibility for the individual. These services include training and transportation. The most fundamental of the support services is good, affordable child care. No parent can possibly take on full-time work without the assurance that their children will be supervised and safe.

The Council also believes that it is only fair that full-time workers should be able to support themselves and their families above the poverty line, MBM or LICO. Getting families to this level requires several mechanisms. Raising minimum wage to the level that would support at least one adult seems like an obvious first step. Providing the tax relief, income supports or "top-ups" to low-wage earners is another. Ensuring that there is an adequate supply of safe and affordable housing is the next.

The February 2004 Speech from the Throne identified several government initiatives that may do a lot to alleviate the situations of low-income Canadians. One was the announcement that the federal government would examine the effects of federal tax policies on Canadians with disabilities. Another was the decision to enrich the federal government's national child care strategy – though the details are still unclear. Both of these initiatives would go a long way to "leveling the playing field" as the Governor General put it. Both of these are long overdue.

People on welfare face enough obstacles when they look for work. Making the move from welfare to work means upgrading skills, finding job vacancies and convincing employers to give you a chance. For parents on welfare, moving into the labour force also means finding child care. For people with disabilities, the obstacles are even greater. The National Council of Welfare believes it makes infinitely good sense – both on a humane level and on an economic level – to provide every incentive possible for people to take up the challenge.

There is no simple way to clear the path for people moving from welfare to the work force, but we know a lot about the obstacles and we know how to move many of these obstacles out of the way. The Council calls on the federal government to live up to its promises in the Speech from the Throne to remove the obstacles in the tax system for people with disabilities.

The Council cannot overstate the importance of child care and asks the federal government to live up to its promise to enrich the national child care strategy by providing the necessary funding. These are just the first steps. The Council also calls on the provincial, territorial and municipal governments to do their part to smooth the way. All levels of government must ensure that they provide the services, tax systems and minimum wages that make it truly possible for people to move from welfare to work.

APPENDIX A – METHODOLOGY

CALCULATING THE INCOME TYPES

All our assumptions are for 2000 since that is the only year for which Human Resources Development Canada has calculated the Market Basket Measure.

The welfare incomes amounts shown in this report come from our publication *Welfare Incomes 2000*. As we mentioned in that report, every province and territory uses a different method of calculating basic welfare which generally includes food, clothing, shelter, utilities and an allowance for personal and household needs. And every province and territory has a list of special needs for which it will provide extra assistance. These amounts are all included in our calculations of welfare incomes.

The minimum wage for each province was provided by Human Resources Development Canada's Data Base on Minimum Wages.

We determined the low-wage amount after reviewing the Organisation for Economic Co-operation and Development's (OECD) definition of low wage. According to the OECD, "low wage" is less than two-thirds of median earnings for all full-time employees. According to Statistics Canada's Labour Force Review, two-thirds of the median hourly wage rate is approximately ten dollars an hour. It has been approximately ten dollars an hour since 1998.

Ten dollars an hour is also the amount that several advocacy groups in Canada are currently promoting as a goal for minimum wages. The Living Wage, Living Income Campaign in Ontario, for example, advocates a minimum wage increase to ten dollars an hour. The incentive for the campaign was the stagnant minimum wage in Ontario which was $6.85 an hour from 1995 until it was raised to $7.15 an hour in February 2004. The Living Wage, Living Income Campaign, argues that the minimum wage in Ontario is too low to for a full time worker to make a living above the poverty line. They are advocating for an increase to ten dollars an hour which would be indexed to the cost of living each year.

The average wages in this report come from data from Statistics Canada that the Council uses in our annual *Poverty Profile*. The National Council of Welfare asked Statistics Canada to calculate average earnings for each family type by using the Survey of Labour and Income Dynamics (SLID). SLID is a longitudinal survey of individuals that began in 1993.

We assumed welfare recipients were drawing welfare from January 1 to December 31, 2000. For the minimum-wage, low-wage, and average-wage calculations, we assumed that each adult in each of the family types worked 50 out of 52 weeks from January 1 to December 31, 2000. When welfare and minimum wage rates changed during the year, we included those changes in our calculations as of the date of the change. We assumed in all cases that the single employable person, single disabled person and single parent worked 40 hours a week. We assumed that both parents in the two-parent family were earners working at a combined 80 hours a week.

CALCULATING THE EXPENSES

We determined the cost of child care in Ontario, Alberta, and British Columbia using the University of Toronto's Childcare Resource and Research Unit's report *Early Childhood Education and Care in Canada 2001*. The report provided median monthly parent fees for full-time centre-based child care for 1998. The Council indexed the cost of child care for subsequent years using the Consumer Price Index (CPI).

The child care amount in Quebec was calculated differently due to that province's unique five-dollar-a-day policy. Although not every family in Quebec has access to five-dollar-a-day care, it is the type of care used by the *majority* of families. In 2004, the Quebec government increased the cost of their daycare program to seven dollars a day.

We have also assumed that each of the four family types was in non-subsidized rental housing. As in our annual *Welfare Income* reports, we assumed that the families live in the largest municipal area in each province, that is, in Vancouver, Calgary, Montreal or Toronto. The rents were taken from Canada Mortgage and Housing Corporation's (CMHC) *Rental Market Report* for October 2000 and October 2001 for these four cities. We assumed the following living space: a single individual in a one-bedroom apartment, a single parent with one child in a two-bedroom apartment and a couple with two children in a three-bedroom apartment.

In each case, we compared the incomes for each family type to two different poverty measurements, Statistics Canada's Low Income Cut-Offs (LICO) and Human Resources and Development Canada's new Market Basket Measure (MBM). We compared the income to the after-tax LICO since the MBM is an after-tax measure.

APPENDIX B – FEDERAL AND PROVINCAL PROGRAMS

This section details the calculations and assumptions the Council used in arriving at the take-home incomes in each of the four provinces.

In this paper, we calculated different tax and transfer program amounts for the four family types when the programs were automatically provided to the families or when the process was systematic.

FEDERAL PROGRAMS

NATIONAL CHILD BENEFIT (NCB)

The National Child Benefit has two parts. The first is the Canada Child Tax Benefit which is a tax-free monthly payment made to eligible families to help them with the cost of raising children under age 18. The second part of the NCB is the National Child Benefit Supplement (NCBS), a monthly benefit for low-income families with children.

From July 1999 to July 2000, the federal government paid a basic annual benefit of up to $1,020 a year for each child under the age of 18 in most parts of Canada. Alberta asked the federal government for different calculations of its basic benefits according to the ages of children. In Alberta the basic benefit for each child under the age of 7 was $935. For children ages 7 to 11 the basic benefit was $1,004. The basic benefit for children ages 12 to 15 was $1,133.

From July 2000 to July 2001, the basic benefit rose to $1,104 a year in most parts of Canada. In Alberta the basic benefit for children under the age of 7 rose to $1,019. The basic benefit for children ages 7 to 11 was $1,088. For children ages 12 to 15 the basic benefit was $1,217.

In the beginning of 2000, the CCTB was reduced when a family's income exceeded $25,021; the threshold rose to $30,004 starting in July 2000.

From July 1998 to June 2000, the federal government provided all families with incomes under $20,921 with the National Child Benefit Supplement. The family income threshold rose to $21,214 in July 2000. For the first part of 2000, the maximum was $785 for the first child under the age of 18 and $585 for the second child. In July 2000, the supplement rose to $977 for the first child and $771 for the second.

GOODS AND SERVICES TAX (GST)

The GST/HST credit is a tax-free quarterly payment that helps individuals and families with low and modest incomes offset all or part of the GST or HST that they pay. The GST credit is paid quarterly. The first two payments received in 2000 were worth $199. The second two payments received in 2000 were worth $205. These amounts were given to each adult or the first child in a single-parent family. For other dependent children, the total was a maximum of $105 and $107 respectively in the beginning and end of 2000.

Single adults also received an income-tested supplement in 2000, to a maximum of $105 and $107 respectively in the beginning and end of 2000. The first two payments were based on an income higher than $6,456. The second two payments were based on an income higher than $6,546. Since 2000, heads of single-parent families receive the full amount of the supplement regardless of their income.

EMPLOYMENT INSURANCE (EI)

Employment Insurance is a system of income benefits based on hours worked in a year, earnings and previous use and new employment benefits. Canadian employees and employers contribute to the EI program through their wages. In 2000, the maximum annual insurable earnings were $39,000 at a rate of 2.4 percent on insurable earnings.

For the purposes of this report we calculated 2.4 percent of each individual's gross wages. This amount was subtracted from the total gross wages. Over payments were paid back through the federal tax system.

CANADIAN PENSION PLAN (CPP)

Generally, all workers in Canada over the age of 18 pay into the Canadian Pension Plan (CPP) or the Quebec Pension Plan (QPP) and qualify for benefits. CPP/QPP contributions are based on earnings between a minimum and maximum amount. For example, in 2000, contributions were paid only on earnings between $3,500 and $38,300.

In 2000, the pension plan contribution rate was 3.9 percent. Employers deduct the contributions from their employees' pay and make an equal contribution.

For the purposes of this report we calculated 3.9 percent of each individual's gross wages. This amount was subtracted from the total gross wages. Over payments were paid back through the federal tax system.

QUEBEC PROGRAMS

QUEBEC SALES TAX CREDIT (QST)

Similar to the GST, the Quebec Sales Tax Credit (QST) is intended to help individuals and families with low and modest incomes offset all or part of the QST. In 2000, the maximum amount paid was $154 per adult. An additional maximum of $103 was paid to individuals without a spouse and to single parents. These maximum amounts were deducted for family incomes exceeding $26,000.

REAL ESTATE TAX REFUND

In Quebec a property tax refund is granted to persons whose property tax payable is too high in relation to their income. Quebec residents who were owners, tenants or subtenants of a dwelling in Quebec were eligible for a tax refund in 2000. The maximum amount of the refund depended on whether the individual had a spouse and on the total amount of the family income.

In the 1999 year, 410,873 taxpayers who were in the labour force received on average $198[2]. The maximum amount was $514 and as with the Quebec sales tax credit, the amount is reduced by three percent of the family income over $26,000.

FAMILY ALLOWANCES PROGRAM

The Quebec government's Family Allowances Program provides assistance over and above the CCTB. As with the CCTB, it is calculated on the basis on the net family income, the number of dependent children under age 18 and the family situation.

In January 2000, the maximum amount for families with an income of $50,000 or less was $795 for each of the first two dependent children. Single-parent families received an additional $1,300. The rate was reduced when the family income exceeded $21,825 or $20,921 for the single parent family. For families with incomes over $50,000, the rate was $131 for the first child and $174 for the second child.

In August 2000, the maximum rates were changed to $625 for the first two children in families with incomes of $50,000 or less. Single-parent families received an additional $1,300. The amounts were deducted when income exceeded $21,825, and $21,214 for the single-parent family. For families with incomes over $50,000, the rate was $80 for the first and second child.

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[2] Table 5, Statistiques fiscales détaillées selon la principale source de revenus, Québec, 1999.

SHELTER ALLOWANCE PROGRAM

The Shelter Allowance Program in Quebec offers financial assistance to low-income households whose members spend a disproportionate amount of their income on rent. It is available to single people aged 55 or over, couples in which one person is 55 or over and families with at least one dependent child. Of our four family types, only the single parent with one child and the couple with two children were eligible for this program.

The maximum for the Shelter Allowance in 2000 was $80 a month. The rate is calculated based on monthly minimum rents, monthly maximum rents, family income and household admissible rent.

Between October 1, 1999 and September 30, 2000, 26,867 single parents with one child and 8,783 couples with two children received benefits from this program[3]. The Council estimated that our single-parent families received $941 for the whole year from the Shelter Allowance Program. We estimated that the couple with two children received no benefits from the program because their income exceeded the threshold.

PARENTAL WAGE ASSISTANCE PROGRAM (PWA)

The Parental Wage Assistance Program in Quebec offers financial assistance to low-income workers with at least one dependent child. It provides financial assistance through a monthly payment, child-care assistance for each child attending a low-cost day care centre, and prepayment of the refundable childcare expenses tax credit.

In 1999 and 2000, 25,719 and 23,698 people respectively received financial assistance through PWA[4].

FIVE-DOLLAR-A-DAY CHILD CARE

Quebec is the only province in Canada with a comprehensive and universal child care program. In September 1997, the government introduced a five-dollar-a-day policy for four-year-old children. In 1998, three year olds were eligible and in 1999 two year olds were eligible. By 2000, children of all ages were eligible for the five-dollar-a-day child care program.

There were well-publicized shortages of spaces, but 55 percent of Quebec children received child care under this program. Forty-five percent of these children were in centre-based care. This was the most used type of child care in Quebec for 2001.

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[3] Source: Société d'habitation du Québec

[4] Numbers provided by Ministère du revenu du Québec.

ONTARIO PROGRAMS

ONTARIO CHILD CARE SUPPLEMENT FOR WORKING FAMILIES

The Ontario Child Care Supplement (OCCS) for Working Families is a tax-free monthly payment to help with the cost of raising children under the age of seven. The program was introduced in 1997 as the Ontario Child Care Expense Credit and was in effect for the 1997 and 1998 tax year. The Ontario Child Care Supplement for Working Programs was introduced in 1998 and replaced this previous program.

The Ontario Child Care Expense Credit benefits low-to-middle income single or two-party families, families with one stay-at-home parent, or families with one or both parents studying or in training. A family does not have to have a child in daycare to apply for the supplement.

In 2000, qualifying parents, both single and two parent families could receive a maximum of $91.67 per month per child under the age of seven.

This program does is not automatic, meaning that there is an application process involved. We chose to include it in our research nonetheless as the Ontario Ministry of Finance sends OCCS applications to eligible families. The province determines eligible families through income tax returns. A family must be receiving the Canada Child Tax Benefit to receive the Ontario Child Care Supplement.

ALBERTA PROGRAMS

ALBERTA FAMILY EMPLOYMENT TAX CREDIT

The Alberta Family Employment Tax Credit is a non-taxable amount paid to families with a working income that have children under the age of 18. Families must be receiving the Canada Child Tax Benefit to qualify but the payments are issued separately from the Canada Child Tax Benefit. In 2000, families were entitled to which ever of the three amounts were the least: either $500 for the year for each child under age 18; $1,000 for the year; or eight percent of the family's working income over $6,500. The credit was reduced after a family net income of more than $25,000.

BRITISH COLUMBIA PROGRAMS

BC BENEFITS

In July 1996, British Columbia introduced the BC Family Bonus as part of a package of initiatives known as BC Benefits. The BC Family Bonus is an income-tested monthly payment to all low-income families with children that have filed income tax returns for the previous year and have applied for the Canada Child Tax Benefit. Qualifying families received $40 a month for each child for January to June 2000, and $25 a month from July to December 2000. These amounts are the same as the provincial benefit from which the supplement to the Canada Child Tax Benefit is subtracted. British Columbia distinguishes itself from the other provinces in that it claws back the supplement to the Canada Child Tax Benefit not only from families on welfare, but it applies the same process to all other low-income families.

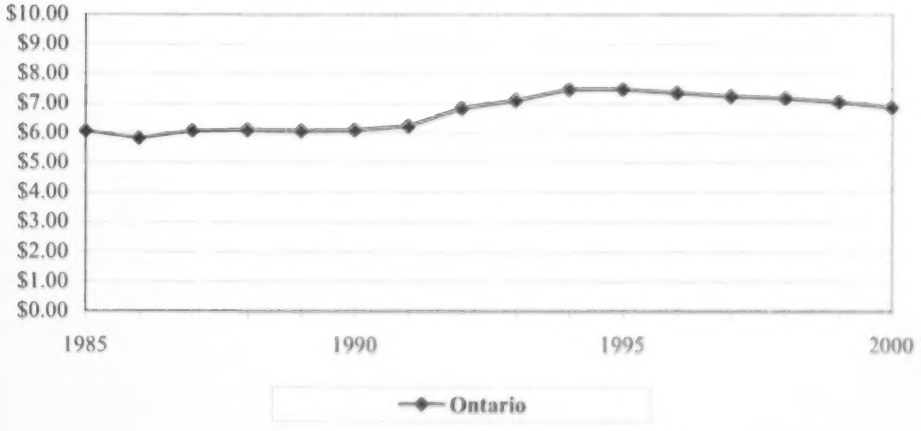
The BC Earned Income Benefit was introduced in July 1998. In 2000, families whose incomes were more than $3,750 were entitled to a maximum $50.41 per month for the first child and $84.16 per month for the second child.

The BC Family Bonus and the BC Earned Income Benefit were reduced for family net incomes greater than $20,921. Benefits from these programs are combined with the Canada Child Tax Benefit into a single monthly payment.

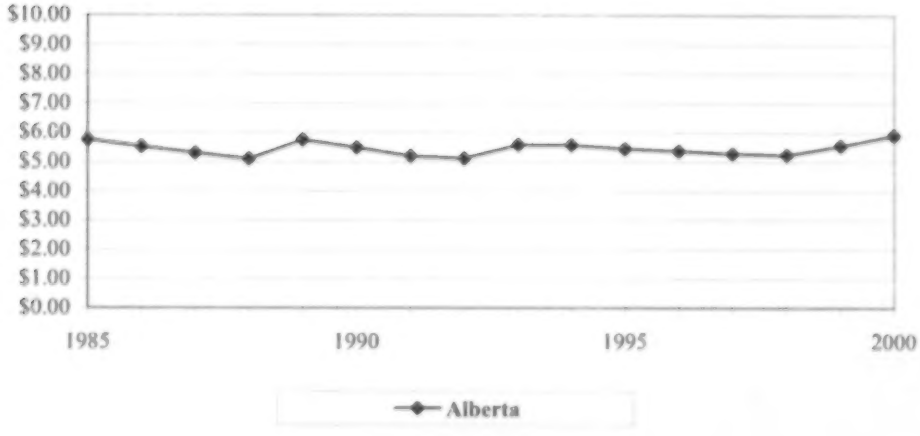
APPENDIX C – MINIMUM-WAGE RATES

Quebec Minimum Wage
2000 Constant Dollars

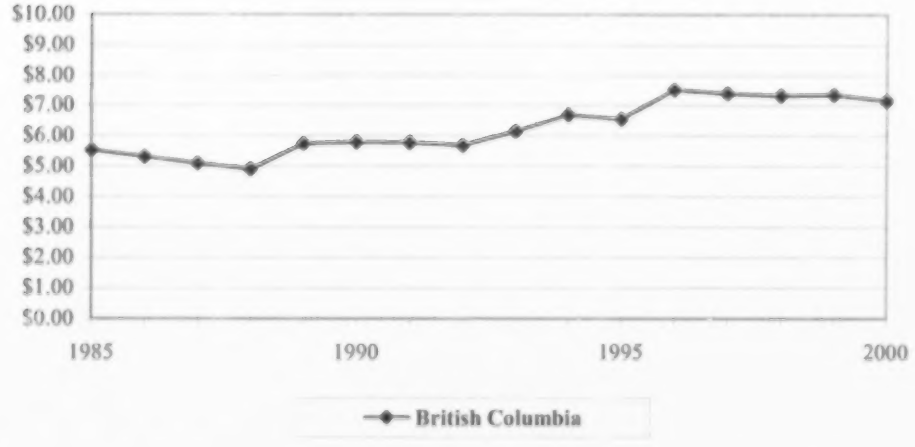
Ontario Minimum Wage
2000 Constant Dollars



Alberta Minimum Wage
Constant 2000 Dollars



British Columbia Minimum Wage
2000 Constant Dollars



MINIMUM WAGE IN CURRENT DOLLARS AS OF JANUARY 1 OF EACH YEAR				
Year	Quebec	Ontario	Alberta	British Columbia
1985	$4.00	$4.00	$3.80	$3.65
1986	$4.00	$4.00	$3.80	$3.65
1987	$4.35	$4.35	$3.80	$3.65
1988	$4.55	$4.55	$3.80	$3.65
1989	$4.75	$4.75	$4.50	$4.50
1990	$5.00	$5.00	$4.50	$4.75
1991	$5.30	$5.40	$4.50	$5.00
1992	$5.55	$6.00	$5.00	$5.00
1993	$5.70	$6.35	$5.00	$5.50
1994	$5.85	$6.70	$5.00	$6.00
1995	$6.00	$6.85	$5.00	$6.60
1996	$6.45	$6.85	$5.00	$7.00
1997	$6.70	$6.85	$5.00	$7.00
1998	$6.80	$6.85	$5.00	$7.00
1999	$6.90	$6.85	$5.40	$7.15
2000	$6.90	$6.85	$5.90	$7.15
2001	$6.90	$6.85	$5.90	$7.60
2002	$7.00	$6.85	$5.90	$8.00
2003	$7.20	$6.85	$5.90	$8.00
2004	$7.30 *	$6.85 **	$5.90	$8.00

* Quebec will raise the minimum wage to $7.45 on May 1, 2004

** Ontario raised the minimum wage to $7.15 on February 1, 2004

APPENDIX D – MARKET BASKET MEASURE

MARKET BASKET MEASURE (MBM) THRESHOLDS FOR TWO ADULTS AND TWO CHILDREN, 2000						
	Food	Clothing & Footwear	Shelter	Transportation	Other	**Total**
Montreal	$6,017	$2,269	$7,129	$1,320	$5,706	**$22,441**
Toronto	$5,778	$2,292	$11,399	$2,316	$5,558	**$27,343**
Calgary	$6,183	$2,156	$8,707	$1,392	$5,743	**$24,180**
Vancouver	$6,697	$2,292	$11,020	$1,592	$6,190	**$27,791**
St. John's	$6,796	$2,292	$7,298	$1,451	$6,258	**$24,095**
Charlottetown	$6,335	$2,110	$7,561	$3,612	$5,816	**$25,434**
Halifax	$6,476	$2,292	$8,241	$1,560	$6,038	**$24,607**
Saint John	$6,499	$2,269	$6,087	$1,340	$6,038	**$22,233**
Winnipeg	$5,972	$2,269	$7,233	$1,601	$5,675	**$22,750**
Saskatoon	$6,356	$2,246	$7,096	$1,272	$5,924	**$22,814**

APPENDIX E – LOW INCOME CUT-OFFS

STATISTICS CANADA AFTER-TAX LOW INCOME CUT-OFFS (1992 BASE) FOR 2000					
Family Size	Community Size				
	Cities of 500,000 +	100,000-499,999	30,000-99,999	Less than 30,000	Rural Areas
1	$15,172	$12,780	$12,583	$11,498	$9,947
2	$18,513	$15,594	$15,353	$14,030	$12,138
3	$23,415	$19,723	$19,419	$17,745	$15,352
4	$29,163	$24,565	$24,186	$22,101	$19,120
5	$32,595	$27,456	$27,031	$24,701	$21,371
6	$36,027	$30,346	$29,877	$27,301	$23,622
7 +	$39,459	$33,237	$32,722	$29,902	$25,872

APPENDIX F – AFFORDABILITY OF RENT

QUEBEC: AFFORDABILITY OF AVERAGE-PRICED RENTAL ACCOMODATION				
	Average Rent		Take-Home Pay	Percentage of Take-Home Pay Spent on Rent
	Monthly	Annual		
WELFARE				
Single employable	$458	$5,496	$6,282	87%
Single disabled	$458	$5,496	$9,089	60%
Single parent, one child	$509	$6,108	$12,950	47%
Couple, two children	$630	$7,560	$16,285	46%
MINIMUM WAGE				
Single employable	$458	$5,496	$12,533	44%
Single disabled	$458	$5,496	$13,641	40%
Single parent, one child	$509	$6,108	$20,812	29%
Couple, two children	$630	$7,560	$28,393	27%
LOW WAGE				
Single employable	$458	$5,496	$16,386	34%
Single disabled	$458	$5,496	$17,118	32%
Single parent, one child	$509	$6,108	$22,771	27%
Couple, two children	$630	$7,560	$34,187	22%
AVERAGE WAGE				
Single employable	$458	$5,496	$20,385	27%
Single disabled	$458	$5,496	$21,529	26%
Single parent, one child	$509	$6,108	$26,821	23%
Couple, two children	$630	$7,560	$42,466	18%

ONTARIO: AFFORDABILITY OF AVERAGE-PRICED RENTAL ACCOMODATION				
	Average Rent		Take-Home Pay	Percentage of Take-Home Pay Spent on Rent
	Monthly	Annual		
WELFARE				
Single employable	$830	$9,960	$6,825	146%
Single disabled	$830	$9,960	$11,761	85%
Single parent, one child	$979	$11,748	$13,758	85%
Couple, two children	$1,165	$13,980	$18,214	77%
MINIMUM WAGE				
Single employable	$830	$9,960	$12,518	80%
Single disabled	$830	$9,960	$13,676	73%
Single parent, one child	$979	$11,748	$17,536	67%
Couple, two children	$1,165	$13,980	$27,237	51%
LOW WAGE				
Single employable	$830	$9,960	$17,067	58%
Single disabled	$830	$9,960	$18,071	55%
Single parent, one child	$979	$11,748	$22,591	52%
Couple, two children	$1,165	$13,980	$35,484	39%
AVERAGE WAGE				
Single employable	$830	$9,960	$25,738	39%
Single disabled	$830	$9,960	$26,713	37%
Single parent, one child	$979	$11,748	$29,370	40%
Couple, two children	$1,165	$13,980	$54,230	26%

ALBERTA: AFFORDABILITY OF AVERAGE-PRICED RENTAL ACCOMODATION				
	Average Rent		Take-Home Pay	Percentage of Take-Home Pay Spent on Rent
	Monthly	Annual		
WELFARE				
Single employable	$611	$7,332	$5,026	146%
Single disabled	$611	$7,332	$7,587	97%
Single parent, one child	$740	$8,880	$11,527	77%
Couple, two children	$713	$8,556	$18,268	47%
MINIMUM WAGE				
Single employable	$611	$7,332	$11,026	66%
Single disabled	$611	$7,332	$11,894	62%
Single parent, one child	$740	$8,880	$13,937	64%
Couple, two children	$713	$8,556	$26,599	32%
LOW WAGE				
Single employable	$611	$7,332	$16,665	44%
Single disabled	$611	$7,332	$17,757	41%
Single parent, one child	$740	$8,880	$20,713	43%
Couple, two children	$713	$8,556	$34,590	25%
AVERAGE WAGE				
Single employable	$611	$7,332	$22,891	32%
Single disabled	$611	$7,332	$23,927	31%
Single parent, one child	$740	$8,880	$28,730	31%
Couple, two children	$713	$8,556	$50,001	17%

BRITISH COLUMBIA: AFFORDABILITY OF AVERAGE-PRICED RENTAL ACCOMODATION				
	Average Rent		Take-Home Pay	Percentage of Take-Home Pay Spent on Rent
	Monthly	Annual		
WELFARE				
Single employable	$695	$8,340	$6,383	131%
Single disabled	$695	$8,340	$9,672	86%
Single parent, one child	$891	$10,692	$12,823	83%
Couple, two children	$1,022	$12,264	$18,051	68%
MINIMUM WAGE				
Single employable	$695	$8,340	$12,707	66%
Single disabled	$695	$8,340	$13,782	61%
Single parent, one child	$891	$10,692	$16,264	66%
Couple, two children	$1,022	$12,264	$27,167	45%
LOW WAGE				
Single employable	$695	$8,340	$16,649	50%
Single disabled	$695	$8,340	$17,725	47%
Single parent, one child	$891	$10,692	$20,297	53%
Couple, two children	$1,022	$12,264	$35,435	35%
AVERAGE WAGE				
Single employable	$695	$8,340	$23,758	35%
Single disabled	$695	$8,340	$24,834	34%
Single parent, one child	$891	$10,692	$25,292	42%
Couple, two children	$1,022	$12,264	$49,569	25%

APPENDIX G – AFFORDABILITY OF CHILD CARE

QUEBEC: AFFORDABILITY OF PUBLIC CENTRE-BASED CHILD CARE SINGLE PARENT ONE CHILD, TWO YEARS OLD			
	Take-Home Income	Annual Cost of Child Care	Percentage of Take-Home Pay Spent on Child Care
Minimum Wage	$20,812	$1,300	6%
Low Wage	$22,771	$1,300	6%
Average Wage	$26,821	$1,300	5%

ONTARIO: AFFORDABILITY OF AVERAGE-PRICED CENTRE-BASED CHILD CARE SINGLE PARENT ONE CHILD, TWO YEARS OLD			
	Take-Home Income	Annual Cost of Child Care	Percentage of Take-Home Pay Spent on Child Care
Minimum Wage	$17,536	$7,359	42%
Low Wage	$22,591	$7,359	33%
Average Wage	$29,370	$7,359	25%

ALBERTA: AFFORDABILITY OF AVERAGE-PRICED CENTRE-BASED CHILD CARE SINGLE PARENT ONE CHILD, TWO YEARS OLD			
	Take-Home Income	Annual Cost of Child Care	Percentage of Take-Home Pay Spent on Child Care
Minimum Wage	$13,937	$5,492	39%
Low Wage	$20,713	$5,492	27%
Average Wage	$28,730	$5,492	19%

BRITISH COLUMBIA: AFFORDABILITY OF AVERAGE-PRICED CENTRE-BASED CHILD CARE SINGLE PARENT ONE CHILD, TWO YEARS OLD			
	Take-Home Income	Annual Cost of Child Care	Percentage of Take-Home Pay Spent on Child Care
Minimum Wage	$16,264	$6,675	41%
Low Wage	$20,297	$6,675	33%
Average Wage	$25,292	$6,675	26%

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Reports by the National Council of Welfare deal with a wide range of issues on poverty and social policy in Canada, including income security programs, welfare reform, medicare, poverty lines and poverty statistics, the retirement income system, taxation, labour market issues, social services and legal aid.

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